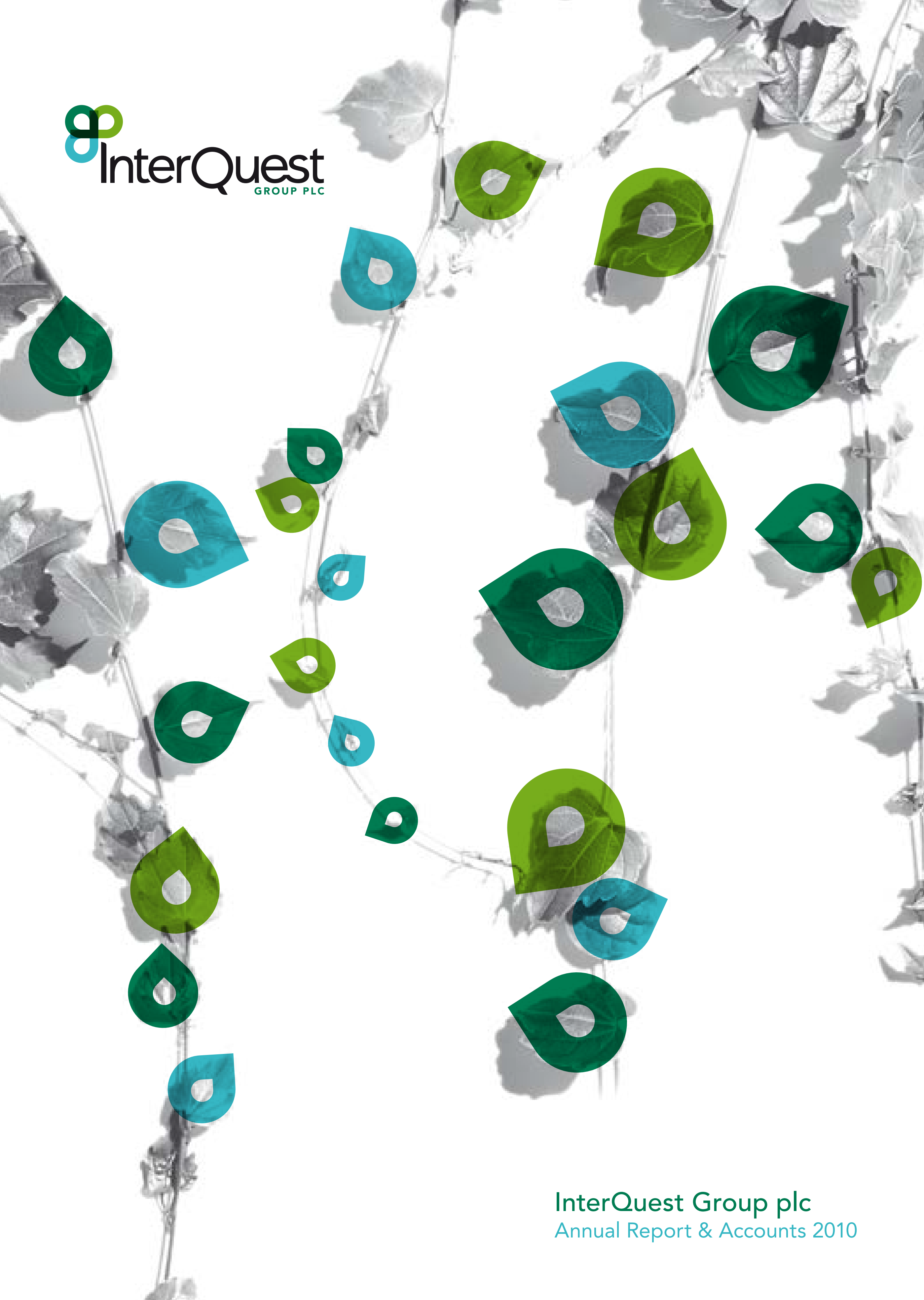

InterQuest Group plc

Annual Report & Accounts 2010

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

Our Companies

InterQuest IQ
ecrm people IQ
People Co IQ
InterQuest EXECUTIVE
fulcrum IQ telecom
Sand Resources IQ
InterQuest SOLUTIONS
Genesis IQ
Sapian solutions IQ
GOLDCREST payroll solutions
Intelect IQ
SBS IQ
PEREGRINE
lighthouse TESTING CONSULTANCY
payquest
KORUS RECRUITMENT GROUP

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Highlights

Financial Highlights

- Revenue £112.2m (2009: £97.4m) up 15%
- Gross profit £14.7m (2009: £12.4m) up 18%
- EBITA (before IFRS 2 and amortisation charges) £3.6m (2009: £3.0m) up 19%
- Profit before taxation £2.2m (2009: £1.8m) up 24%
- Basic adjusted earnings per share 8.6 pence (2009: 7.1 pence) up 21%
- Basic earnings per share 6.1 pence (2009: 4.4 pence) up 39%
- Net cash from operating activities £1.8m (2009: £3.3m)
- Net debt reduced from £3.0m at start of 2010 to £2.7m at 31 December 2010
- Final dividend of 2 pence per share due to be paid on 6 April 2011 (2009: 2 pence per share) bringing the total dividend for the year to 2.5 pence per share (2009: 2 pence per share)

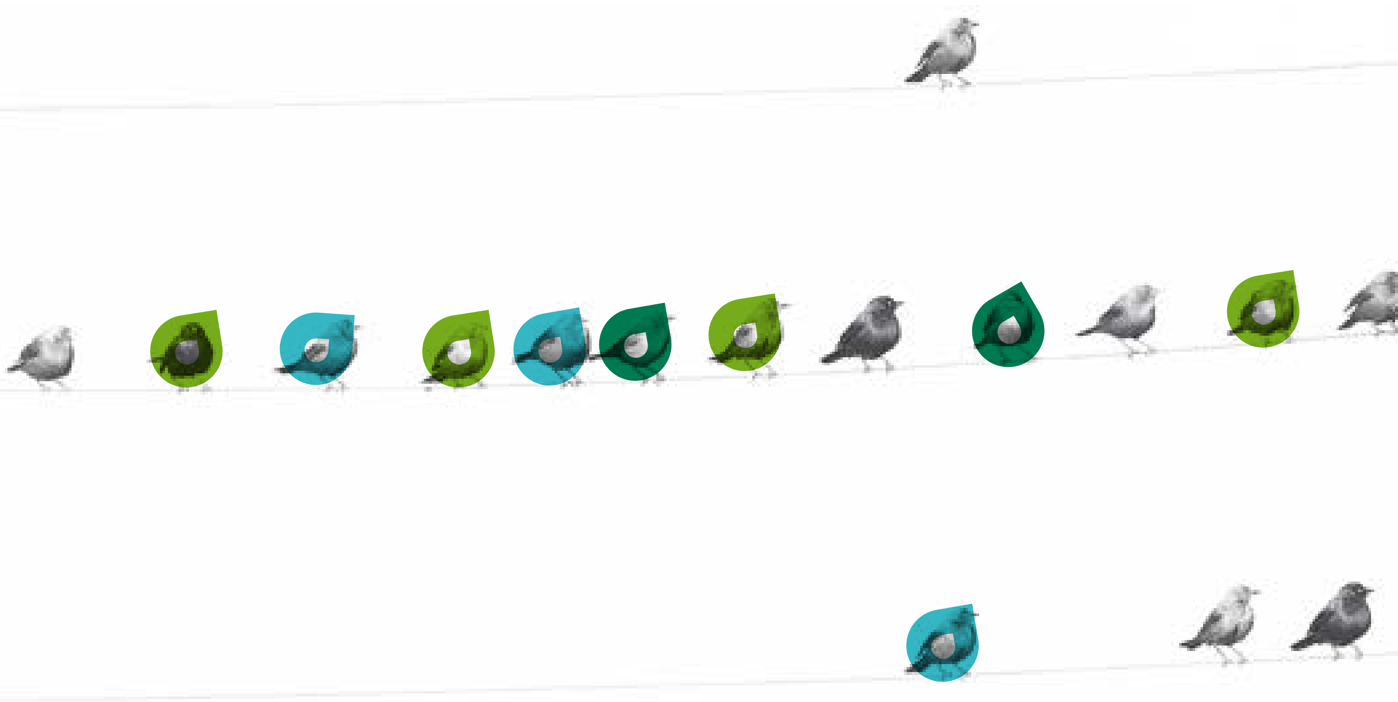
Outlook

- Most markets have returned to growth
- New Canary Wharf office planned for investment banking division
- Commitment to hire a new Chief Executive and split the roles of Chairman and Chief Executive

Operational Highlights

A return to growth in the majority of markets

- Fee earning headcount increased by 21% to 144 at 31 December 2010 (2009: 119)
- Growth in private sector markets, particularly banking and finance, has more than offset decrease in public sector activity
- Resilience of niche IT recruitment model demonstrated by solid profitability throughout the recent downturn
- First two client wins secured in our Private Sector Recruitment Process Outsourcing ("RPO") division, InterQuest Solutions, providing additional £5m in revenue per annum
- Successful launch of new in-house training programme, iQad
- Reduced losses in IQ Equity start up division as it moves towards break even



Chairman's and Chief Executive's Statement

Gary Ashworth
Executive Chairman and Chief Executive

We continue to target and develop razor sharp niches to maintain our standing as a provider of specialist skills in the technology markets.

Our clients come to us knowing that we will supply them with pools of rare talent that are unavailable elsewhere.

We are continually seeking to acquire companies in our sector who match our values and vision and share our passion for growth, improvement, and innovation.

Overview_I am pleased to report a solid set of financial results for 2010 demonstrating a return to growth for our core business and strong progress in our IQ Equity division. We now have a total of 16 divisions (2009: 14; 2008: 8) each focused on a specialist niche of the IT industry. We believe we continue to benefit from this business model of separately branded divisions, giving us a level of resilience to the general market downturn. Gross profit (net fee income) increased by 18% to £14.7m and profit before tax rose 24% to £2.2m despite £0.3m of investment during the year into our new IQ Equity divisions.

Net Fee Income ("NFI") from permanent recruitment was 55% higher at £3,775k (2009: £2,440k) while contract margin increased by 9% to £10,883k (2009: £9,952k).

The number of contractors working onsite at clients reached 1,091 in the last week of December, up 12% from 975 in the last week of December 2009.

Having pared back the number of fee earners in the business during the downturn we started 2010 with 119 fee earners and increased this to 144 in December. As of the date of this report we have 149 fee earners.

We continue to carefully monitor our markets for signs of weakness; however we are cautiously optimistic that these initial signs of a return to growth are indicators of a better market in 2011.

Growth in Financial Services Markets_ Our Financial Services division has experienced the greatest increase in the level of activity, showing a 29% increase in net fee income. This has been led by the investment banking community's investment in infrastructure combined with the increasingly demanding compliance and regulatory framework in these markets.

Developments of particular note within other divisions include the winning of two outsourced contracts by newly formed InterQuest Solutions, our Recruitment Process Outsourcing ("RPO") division for the provision of staff, the largest of which is in the retail sector for a two year period producing over £5m of revenue per annum for the Group.

Public Sector impacted as expected_ As expected, our Public Sector focused division has seen a 25% decrease in net fee income. Many of the end applications in which our personnel in the Public Sector are engaged are improving operational efficiencies and helping to deliver cost savings. Therefore the fact that we have noticed a slight improvement since the beginning of the year leads us to be cautiously optimistic.

The newly formed executive search and payroll solutions businesses have traded profitably in 2010.

Strong progress with IQ Equity_The IQ Equity division, our incubator for start up businesses, made excellent progress during the year, securing some significant contracts and moving close to profitability. The division now includes Korus Recruitment Group, Fulcrum Telecom, PayQuest Group and Peregrine Recruitment.

We reported a loss of £182k in our IQ Equity division at the half year point, and are pleased to have seen that decrease significantly to £144k in the second half. This brings the cumulative losses for the division to a total of £683k which we believe will prove to have been an excellent use of company resources in terms of increasing our platform for future growth.

We have separately identified the start up losses so that the growth within the established businesses is clear to the reader of this report. The final quarter of 2010 saw a collective swing to near profitability for the division. The division made profits in October and November and a loss of only £19k in the quarter as a whole. We are confident that these businesses, which now account for more than 7% of the Group's 2010 net fee income, will make a meaningful contribution to Group profits going forward.

I have been a recruiter since 1998 and in 2007 InterQuest acquired my business. Straight away I found the benefits of being part of a much larger group were many are varied. On the one hand to be able to share, debate and solve problems with a team of like-minded professional recruitment managers often holding widely different views is stimulating and interesting.

On the other hand the operational synergy that is energised in the business model means that we are continually striving to grow the company by offering newer and better services and to improve the talents of the individuals whom we employ, at every level.

David Di Domenico – Intelect

iQad Training_A decision was taken at the beginning of the year to reinitiate our dedicated training programme to coach new fee-earners entering the business. This process involved modelling best practice from our existing high achievers and then recruiting to the strict criteria learned. New staff were enrolled in a 12 week programme, held in our Harrogate offices, called iQad (InterQuest accelerated development) which included technical, hands on and residential elements. This has resulted in 25 new fee–earners joining the Group in 2010. We intend to run four more programmes in the current year, hiring a further 48 fee-earners in total.

Intention to recommence M&A programme_The Group grew from a standing start in November 2001 to £106m of revenue in 2008 via acquisitions and organic growth. We paused our acquisition programme during the 2008 to 2009 downturn, choosing instead to secure our existing businesses and recruit experienced individuals from other practices to set up new divisions within IQ Equity. However, with our markets now showing signs of growth, we have recommenced our acquisition plans, seeking opportunities to accelerate our growth through the acquisition of niche-focused, specialist IT recruitment businesses.

Dividend_We have proposed a final dividend for the year of 2 pence (2009: 2 pence) bringing the total dividend for the year to 2.5 pence (2009: 2 pence).

Outlook_The general economic outlook has improved throughout the course of 2010 except for the public sector and we have entered 2011 with the majority of metrics pointing towards continued growth. We are seeing increasing activity in contract and permanent recruitment, and have increased our sales staff to capitalise on this increased activity.

We believe these factors, combined with the potential for accelerated growth through acquisitions, position us well for the year ahead.

I would like to thank all of the staff for their passion, commitment and hard work over the last twelve months.

Gary Ashworth
Executive Chairman and Chief Executive
8 March 2011

04
Finance Director's Report

Michael Joyce
Finance Director

"A solid set of financial results for 2010 demonstrating a return to growth in our core businesses and progress in our IQ Equity division."

Revenue (all from continuing operations) increased by 15% during 2010 to £112.2m (2009: £97.4m).

Gross profit increased by £2.3m or 18% to £14.7m (2009: £12.4m). Our gross margin percentage increased from 12.7% to 13.1% reflecting the fact that a larger proportion of our gross profit was derived from permanent recruitment in 2010; 26% versus 20% in 2009. The gross margin percentage achieved on contract business slipped from 10.5% to 10.0%. During the last three years we have seen an increased proportion of our contract recruitment business in our larger clients which bolstered our earnings during the downturn, albeit at slightly reduced margins. In addition we have started a payroll services business which operates at circa 4% gross margin.

Cash based EBITA (earnings before interest, tax, amortisation of intangible assets and IFRS 2 share based payment charge) increased by 19% to £3.6m (2009: £3.0m).

The intangible asset amortisation charge remained constant at £1.0m (2009: £1.0m).

The net interest expense increased to £0.2m (2009: £0.1m), as we have utilised our invoice discounting facilities to fund our growing contract business.

Profit before tax increased by 24% to £2.2m (2009: £1.8m).

Tax on profits was £0.4m representing an unusually low effective tax rate of 18% (2009: 27%). A detailed analysis is included at note 5.

Earnings per share and dividend_Basic earnings per share increased by 39% to 6.1 pence (2009: 4.4 pence). When the effect of non-cash and non-trading items, being amortisation and the IFRS 2 share based payment charge and the deferred tax credits in respect of the two items are removed, the basic adjusted earnings per share is 8.6 pence representing an increase of 21% from 7.1 pence in 2009. See note 6 for details of the calculation.

An interim dividend of 0.5 pence per share (2009: nil) was paid on 28 October 2010. A final dividend of 2 pence per share (2009: 2 pence per share) has been proposed and will be paid to shareholders on 6 April 2011.

I joined PeopleCo as a consultant, now part of InterQuest, in 2004 upon my return from Australia where I had been in recruitment for 2 years.

Since our acquisition by InterQuest in 2006 I have been promoted twice and am now managing a team of 17.

I have found that the scope for engaging with clients needing more sophisticated recruitment products has improved enormously.

The expertise available within the Group is an invaluable resource in an ever more competitive market place. Most importantly of all I have found that the time and resources invested in me as an individual have made me a better recruiter, a better manager and above all a better business person.

I am looking forward to a long and successful career with InterQuest Group.

Vincent Dunlop – PeopleCo

Balance sheet, cash flow and financing_ The Group's net assets increased by £1.1m to £20.9m at 31 December 2010 (2009: £19.8m).

Continued profitability and tight control of working capital delivered £2.5m of operating cash flow (before tax and interest payments). The Group paid £0.7m of corporation tax and £0.2m of interest during the year. Net capital expenditure was £0.4m and dividends of £0.8m were paid. As a result of these cash flows, net debt decreased from £3.0m at the start of the year to £2.7m at the end of 2010.

Michael Joyce
Finance Director
8 March 2011

Board of Directors

Gary Ashworth
Executive Chairman
and Chief Executive

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

Michael Joyce, ACA
Finance Director

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

Alan Found
Development Director

Alan is instrumental in both strategic and people development within the Group. He has 25 years' experience as a management training consultant and has worked worldwide with many blue chip companies.

Paul Frew
Non-Executive Director

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

Report of the Directors

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report, the Directors' 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 have elected to prepare the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have elected to prepare the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the Group financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

In so far as each of the Directors is aware:

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

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

Principal activities and business review

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

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

Results and dividends

The Group's profit for the year amounted to £1.8m (2009: £1.3m). The Directors propose to pay a final dividend of 2 pence per share on 6 April 2011 (2009: 2 pence per share).

Post balance sheet events

There are no material post balance sheet events to report.

Principal business risks

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

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

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

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

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

The Group's success depends to a significant extent upon a limited number of key employees. No assurances can be given that the loss of any executive officer or key employee of the Company would not have a material effect on the business, financial condition or results of operations of the Group, particularly within any business recently acquired by the Group. In addition, the Group may be adversely affected by staff turnover at more junior levels. The Group has endeavoured to ensure that employees at all levels are incentivised, but the retention of such staff cannot be guaranteed.

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

Going concern

The Board have reviewed and adopted the Group's 2011 financial budget and reviewed cash flow projections to the end of 2012 together with capital expenditure projections and has considered the availability of finance under its current banking arrangements which are expected to be maintained throughout the next 12 months. In light of these deliberations, the Board has concluded that it is appropriate to prepare the accounts on a going concern basis.

Report of the Directors_continued_

Key Performance Indicators

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

	31 December 2010 £'000	31 December 2009 £'000
Financial KPIs:		
Revenue	112,192	97,434
Gross profit percentage	13.0%	12.7%
EBITA	3,419	2,925
EBITA (before IFRS 2 and amortisation charges)	3,601	3,028
Net cash generated from operating activities	1,811	3,280
Net debt	2,691	3,018
Non-financial KPIs:		
Recruitment staff	134	115
Administration staff	30	23

Due to improved economic market the Group's revenue and EBITA increased from 2009 to 2010.

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 2010 and 31 December 2010 were as follows:

	Ordinary shares of 1p each	
	31 December 2010	1 January 2010
G P Ashworth	12,622,912	12,542,912
A W Found	126,000	–
L O Johnson (resigned 23 December 2010)	–	3,802,033
M R S Joyce	366,830	366,830
P M L Frew	40,000	20,000

At 31 December 2010 the Directors who served during the year had interests in the following options:

	Scheme	Date of grant	Number of options	Option price	Date from which exercisable	Expiry date
A W Found	EMI scheme	23 December 2008	38,709	1p	1 January 2012	23 December 2018
A W Found	EMI scheme	16 October 2009	61,291	1p	16 October 2012	16 October 2019
M R S Joyce	EMI scheme	21 November 2005	30,000	48p	21 November 2007	21 November 2015
M R S Joyce	EMI scheme	21 November 2005	58,000	55p	21 November 2007	21 November 2015
M R S Joyce	Unapproved scheme	21 November 2005	12,000	55p	21 November 2007	21 November 2015
M R S Joyce	Unapproved scheme	17 July 2007	100,000	116.5p	17 July 2009	17 July 2017
M R S Joyce	EMI scheme	23 December 2008	169,839	1p	1 January 2012	23 December 2018
M R S Joyce	EMI scheme	16 October 2009	26,000	1p	16 October 2012	16 October 2019
M R S Joyce	Unapproved scheme	16 October 2009	19,161	1p	16 October 2012	16 October 2019

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

The Company's share price has ranged from a low of 48.0 pence to a high of 69.5 pence during the year with a closing price of 66.0 pence at 31 December 2010.

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

Directors remuneration
Remuneration in respect of Directors during the year was as follows:

2010	Salary and fees £'000	Benefits £'000	Bonuses £'000	Total £'000	Pensions £'000	Total £'000
Executive Directors						
Gary Ashworth	200	2	–	202	–	202
Michael Joyce	137	2	30	169	–	169
Alan Found	89	–	22	111	–	111
Non-Executive Directors						
Paul Frew	15	–	3	18	–	18
Luke Johnson	–	–	–	–	–	–
	441	4	55	500	–	500

2009	Salary and fees £'000	Benefits £'000	Bonuses £'000	Total £'000	Pensions £'000	Total £'000
Executive Directors						
Gary Ashworth	190	2	18	210	–	210
Michael Joyce	131	2	43	176	–	176
Alan Found	49	–	12	61	–	61
Ross Eades	57	–	–	57	–	57
Non-Executive Directors						
Paul Frew	15	–	3	18	–	18
Luke Johnson	–	–	–	–	–	–
	442	4	76	522	–	522

Substantial shareholdings
As at 23 February 2011, the Directors are aware of the following interests in the ordinary share capital of the Company representing an interest of 3% or more of the Company's issued share capital.

Name of holder	Number of shares	Percentage shareholding
G P Ashworth	12,622,912	40.4%
Chase Nominees Limited	2,464,289	7.9%
Jim Mellon	1,818,181	5.8%
Waterhouse Nominees Limited	1,243,793	4.0%
Martyn Barrow	1,056,190	3.4%

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

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

Report of the Directors_continued_

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

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

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

Payment policy and practice

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

At the year end the Group had an average of 21 days (2009: 25 days) purchases outstanding in trade creditors.

Charitable donations

During the year the Group made a total of £11,395 (2009: £5,850) donations to charity.

Financial risk management and policies

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

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 489 of the Companies Act 2006.

By order of the Board

M R S Joyce
Secretary
8 March 2011

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

Luke Johnson resigned from his position as Non-Executive Director on 23 December 2010 and the Board now comprises three Executive and one Non-Executive Director with considerable business experience particularly within the IT sector.

The Board considers the Non-Executive Director to be independent. Paul Frew provides no services to the Group other than acting as Non-Executive Director. Paul Frew purchased 20,000 ordinary shares in the Group on 30 June 2010 to increase his holding to 40,000 shares but has no other interest in the share capital of the Group.

Executive Chairman and Chief Executive

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

Board committees

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

Audit Committee

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

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

Corporate Governance Report_continued_

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

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

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

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

Nomination Committee

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

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

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

Attendance at Board and Committee meetings

During 2010, the Board met formally twelve times in addition to informal meetings and attendance at the AGM. Gary Ashworth, Michael Joyce and Paul Frew attended all twelve meetings. Alan Found attended eleven meetings and Luke Johnson attended nine meetings.

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

Performance evaluation

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

Assessment of risk and internal control

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

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

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

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

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

Internal audit

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

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

We have audited the Group financial statements of InterQuest Group plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 8), the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:
- gives a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of InterQuest Group plc for the year ended 31 December 2010.

Marc Summers, BSc, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
8 March 2011

Principal accounting policies

Nature of operations and general information

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

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

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

Basis of preparation

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

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

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

IFRS 3 Business Combinations – Revised 2008 (effective 1 July 2009). The revised standard introduces some changes to existing accounting treatment of business combinations. For example, all transaction costs will be expensed as incurred. The standard is applicable for business combinations occurring in accounting periods beginning on or after 1 July 2009. Assets and liabilities arising from business combinations occurring before the date of adoption by the Group will not be restated and thus there will be no effect on the Group's reported income or net assets on adoption.

IAS 27 – The adoption of IAS 27 (revised 2008) has introduced changes to the accounting requirements for transactions with non-controlling (formerly "minority") interests and the loss of control of a subsidiary. These changes are applied prospectively. The non-controlling interests shown in the statement of financial position at 31 December 2010 incorporates these changes.

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

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

IFRS 9	Financial instruments (effective 1 January 2013)
IAS 12	Amendments to Income Taxes (effective 1 January 2012)
IAS 24	Related party disclosures – Revised 2009 (effective 1 January 2011)
IFRS 1	Amendments to First time-time adoption of International Financial Reporting Standards (effective 1 July 2011)
IFRS 7	Amendments to Transfer of financial assets (effective 1 July 2011)
Various	Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
IAS 32	Amendments to Classification of rights issues (effective 1 February 2010)
IFRIC 19	Extinguishing financial liabilities with equity instruments (effective 1 July 2010)
IFRIC 14	Amendments to Prepayments of a minimum funding requirement (effective 1 January 2011)

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

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 2010. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

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

Intangible assets

Other intangible assets

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

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

Goodwill

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

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

Impairment of assets

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

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

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

Revenue

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

Revenue for temporary contract assignments is recognised over the contract period for the services of the temporary contractor. Revenue recognised, but not yet invoiced, at the reporting date, is correspondingly accrued on the statement of financial position within "trade and other receivables".

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

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

The Group assess whether it acts as a principal in any transactions or as an agent acting on behalf of others. 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 a transaction, only the fees associated to the services provided by the Group in the capacity of an agent are recognised as income. Where the de-recognition criteria of IAS 39 is met, any assets related to the transaction is reported net.

Property, plant and equipment

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

Leasehold improvements	20% straight line
Office furniture and equipment	20% straight line
Motor vehicles	25% reducing balance

Leased assets

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

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

Principal accounting policies_continued_

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Retained earnings" represents retained profits.
- "Share-based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Share buy back reserve" represents shares which were purchased and subsequently cancelled.
- "Non-controlling interests" represents that portion of equity attributable to shareholders outside of the Group.

Current and deferred tax

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

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

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of reporting date.

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

Financial instruments

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

Financial liability and equity instruments

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

Trade receivables and trade payables

Trade receivables and payables are initially recognised at fair value and thereafter at amortised cost using the effective interest rate method.

Bank borrowings

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

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

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

Equity settled share-based payment
There is an Inland Revenue approved Enterprise Management Incentive Share Option Plan and an Unapproved Share Option Plan under which share options are granted to key employees.

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

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

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "share-based payment reserve". Payments are recognised in the period to which they relate.

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

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

Long Term Incentive Plan
In December 2008, shareholders approved a share-based Long Term Incentive Plan ('LTIP'). This Plan provides EMI share option awards to Executive Directors and Senior Management which cannot be exercised before 1 January 2012. The level of awards is linked to the financial performance of the Group during 2009, 2010 and 2011.

Acquisition and working capital finance facilities
The Group has access to acquisition and working capital finance facilities provided by it's bankers in the form of a confidential trade receivables finance facility which is secured by a fixed and floating charge over the Group's assets. The borrowings under this are included within current liabilities and described as "Financial Liabilities – borrowings" on the Group's statement of financial position and the facility is secured specifically against the Group's trade receivables. Trade receivables which have been discounted are included with trade receivables within current assets in the Group's statement of financial position.

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.

Principal accounting policies_continued_

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

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

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

Estimates
Share-based payments
All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions. All equity-settled share-based payments are ultimately recognised as an expense in the Company's income statement with a corresponding credit to "share-based payment reserve". Estimates and assumptions used are set out in note 15.

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

Intangible assets
The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly. Estimates and assumptions used are set out in note 8.

Consolidated statement of comprehensive income

	Note	2010 £'000	2009 £'000
Revenue	1	112,192	97,434
Cost of sales		(97,534)	(85,042)
Gross profit		14,658	12,392
Amortisation	2,8	(1,011)	(1,011)
Other administrative expenses		(11,239)	(9,467)
Total administrative expenses	2	(12,250)	(10,478)
Operating profit		2,408	1,914
Finance costs	4	(191)	(127)
Profit before taxation		2,217	1,787
Income tax expense	5	(388)	(487)
Profit for the year		1,829	1,300
Other comprehensive income for the year		–	–
Total comprehensive income for the year		1,829	1,300
Profit and total comprehensive income attributable to:			
– Owners of the parent		1,900	1,350
– Non controlling interests		(71)	(50)
Total comprehensive income for the year		1,829	1,300

Earnings per share from both total and continuing operations:

	Note	Pence	Pence
Basic earnings per share	6	6.1	4.4
Diluted earnings per share	6	5.9	4.2

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

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

Consolidated statement of financial position

	Note	2010 £'000	2009 £'000	2008 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	7	484	292	393
Goodwill	8	14,005	14,005	14,607
Intangible assets	8	859	1,870	2,881
Deferred income tax assets	14	93	–	–
Total non-current assets		15,441	16,167	17,881
Current assets				
Trade and other receivables	9	19,690	15,863	17,018
Cash and cash equivalents	10	495	145	11
Total current assets		20,185	16,008	17,029
Total assets		35,626	32,175	34,910
LIABILITIES				
Current liabilities				
Trade and other payables	11	(10,700)	(8,164)	(8,412)
Borrowings	12	(3,186)	(3,163)	(5,544)
Current tax payable		(831)	(688)	(730)
Deferred consideration	13	–	–	(717)
Total current liabilities		(14,717)	(12,015)	(15,403)
Non-current liabilities				
Deferred consideration	13	–	–	(200)
Deferred income tax liabilities	14	–	(330)	(674)
Total non-current liabilities		–	(330)	(874)
Total liabilities		(14,717)	(12,345)	(16,277)
Net assets		20,909	19,830	18,633
EQUITY				
Share capital	16	313	306	306
Share premium account		8,919	8,479	8,479
Capital redemption reserve		11	–	–
Retained earnings		11,636	10,505	9,461
Share-based payment reserve		672	490	387
Share buy back reserve		(621)	–	–
Non controlling interests		(21)	50	–
Total equity		20,909	19,830	18,633

The consolidated financial statements were approved by the Board on 8 March 2011 and were signed on its behalf by:

M R S Joyce
Finance Director
Company Registration No. 04298109

Consolidated 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	Non controlling interest £'000	Total equity £'000
Balance at 1 January 2009	306	8,479	–	9,461	387	–	–	18,633
Comprehensive income								
Profit for the year	–	–	–	1,350	–	–	(50)	1,300
Total comprehensive income for the year	**–**	**–**	**–**	**1,350**	**–**	**–**	**(50)**	**1,300**
Transactions with owners								
Movement in share-based payment reserve	–	–	–	–	103	–	–	103
Dividends relating to 2009	–	–	–	(306)	–	–	–	(306)
Total contributions by and distributions to owners	–	–	–	(306)	103	–	–	(203)
Non controlling interests	–	–	–	–	–	–	100	100
Balance at 31 December 2009	306	8,479	–	10,505	490	–	50	19,830
Comprehensive income								
Profit for the year	–	–	–	1,900	–	–	(71)	1,829
Total other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**1,900**	**–**	**–**	**(71)**	**1,829**
Transactions with owners								
Movement in share-based payment reserve	–	–	–	–	182	–	–	182
Capital redemption reserve	(11)	–	11	–	–	–	–	–
Issue of share capital	18	440	–	–	–	–	–	458
Dividends relating to 2010	–	–	–	(769)	–	–	–	(769)
Share buy back reserve	–	–	–	–	–	(621)	–	(621)
Total contributions by and distributions to owners	7	440	11	(769)	182	(621)	–	(750)
Balance at 31 December 2010	**313**	**8,919**	**11**	**11,636**	**672**	**(621)**	**(21)**	**20,909**

Consolidated statement of cash flows

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Profit after taxation		1,829	1,300
Adjustments for:			
Depreciation	2	169	183
Share-based payment charge	2	182	103
Finance costs	4	191	127
Amortisation	2	1,011	1,011
Income tax expense	5	388	487
(Increase)/decrease in trade and other receivables		(3,827)	1,191
Increase/(decrease) in trade and other payables		2,536	(263)
Cash generated from operations		2,479	4,139
Income taxes paid		(668)	(859)
Net cash from operating activities		1,811	3,280
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(361)	(74)
Acquisition of subsidiaries, net of cash acquired		–	(59)
Payment of deferred consideration	13	–	(200)
Net cash used in investing activities		(361)	(333)
Cash flows from financing activities			
Proceeds from issue of share capital		458	–
Cost to buy back shares		(621)	–
Net increase/(decrease) in discounting facility		23	(2,213)
Interest paid		(191)	(127)
Dividends paid	22	(769)	(306)
Net cash used in financing activities		(1,100)	(2,646)
Net increase in cash, cash equivalents and overdrafts		350	301
Cash, cash equivalents and overdrafts at beginning of year	10	145	(156)
Cash, cash equivalents and overdrafts at end of year	10	495	145

Notes to the consolidated financial statements

1 Revenue and segmental reporting

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

2010	Private other £'000	Private financial services £'000	Public £'000	IQ Equity £'000	Total £'000
Revenue	44,314	33,284	28,051	6,543	112,192
Gross profit	6,915	4,022	2,660	1,061	14,658
EBITA per management accounts	1,082	1,728	1,106	(315)	3,601
Reconciling items to amounts reported in the statement of comprehensive income:					
– share-based payment charge					(182)
– amortisation					(1,011)
IFRS operating profit					2,408
Interest					(191)
Profit before tax					2,217

2009	Private other £'000	Private financial services £'000	Public £'000	IQ Equity £'000	Total £'000
Revenue	37,054	24,789	35,069	522	97,434
Gross profit	5,624	3,107	3,529	132	12,392
EBITA per management accounts	847	749	1,791	(359)	3,028
Reconciling items to amounts reported in the statement of comprehensive income:					
– share-based payment charge					(103)
– amortisation					(1,011)
IFRS operating profit					1,914
Interest					(127)
Profit before tax					1,787

	Revenue		Gross profit	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Permanent	3,775	2,440	3,775	2,440
Contract	108,417	94,994	10,883	9,952
	112,192	97,434	14,658	12,392

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

There is one external customer that represented more than 10% of the entity's external revenues with revenue of £12.7m in the Financial Services segment (2009: no customers greater than 10%).

Notes to the consolidated financial statements_continued_

2 Administrative expenses

Administrative expenses include the following:

	2010 £'000	2009 £'000
Auditors remuneration:		
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	25	25
Fees payable to the Company's auditor and its associates for other services		
– audit of Company's subsidiaries pursuant to legislation	56	43
– other services pursuant to legislation	3	3
– taxation services	22	15
Amortisation of intangible assets	1,011	1,011
Depreciation	169	183
Operating lease rentals – land and buildings	388	410
Share-based payment charge	182	103

3 Directors and employees

Staff costs during the year were as follows:

	2010 £'000	2009 £'000
Wages and salaries	7,294	5,813
Social security costs	805	668
Other pension costs	12	33
	8,111	6,514

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

	2010 Number	2009 Number
Recruitment consultants	134	115
Administration	30	23
	164	138

Remuneration in respect of Directors was as follows:

	2010 £'000	2009 £'000
Emoluments	500	522
Share-based payment	44	31
	544	553

During the year, no Directors (2009: nil) participated in pension schemes.

Information on Directors emoluments and interests, which form part of those audited financial statements, is given in the Report of the Directors.

3 Directors and employees_continued_

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

	2010 £'000	2009 £'000
Emoluments	202	209
Share-based payment	32	32
	234	241

4 Finance costs

	2010 £'000	2009 £'000
Interest payable on borrowings	191	127
	191	127

5 Income tax expense

	2010 £'000	2009 £'000
Current tax		
Corporation tax on profits for the period	822	870
Adjustments in respect of prior periods	(11)	(39)
Total current tax	811	831
Deferred tax		
Other timing differences	(29)	(33)
Tax losses carried forward	(46)	(41)
Accelerated capital allowance	40	24
Charge on share-based payments	(138)	(44)
Intangible asset temporary differences	(250)	(250)
Total deferred tax	(423)	(344)
Total income tax expense	388	487

	2010 £'000	2009 £'000
Profit before taxation	2,217	1,787
Profit before taxation multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	621	500
Effects of:		
Net effect of tax losses in the year	(6)	–
Expenses not deductible for tax purposes	77	74
Schedule 23 deduction on exercise of share options	(127)	–
Temporary difference with respect to share-based payment charge	(138)	(44)
Other tax adjustments	(32)	(3)
Over provisions in prior years	(11)	(38)
Difference in tax rates	4	(2)
Total income tax expense	388	487

Notes to the consolidated financial statements_continued_

6 Earnings per share

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

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

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

	2010 £'000	2009 £'000
Profit for the period		
Basic earnings	1,900	1,350
Adjustments to basic earnings		
Intangible assets amortisation	1,011	1,011
Deferred tax credit on intangible asset amortisation	(250)	(250)
Share-based payment charge	182	103
Deferred tax credit on share-based payment charge	(138)	(44)
Adjusted earnings	2,705	2,170

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	31,372,877	30,578,076
Weighted average number of share options in issue	1,068,614	1,618,493
Weighted average number of ordinary shares for the purposes of diluted earnings per share	32,441,491	32,196,569

	Pence	Pence
Earnings per share		
Basic earnings per share	6.1	4.4
Diluted earnings per share	5.9	4.2
Adjusted earnings per share		
Basic earnings per share	8.6	7.1
Diluted earnings per share	8.3	6.7

7 Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Total £'000
Cost			
At 1 January 2009	46	1,178	1,224
Additions	–	74	74
Disposal	–	8	8
At 31 December 2009	46	1,260	1,306
At 1 January 2010	**46**	**1,260**	**1,306**
Additions	–	361	361
At 31 December 2010	**46**	**1,621**	**1,667**
Depreciation			
At 1 January 2009	46	785	831
Provided in the year	–	183	183
At 31 December 2009	46	968	1,014
At 1 January 2010	**46**	**968**	**1,014**
Provided in the year	–	169	169
At 31 December 2010	**46**	**1,137**	**1,183**
NBV at 1 January 2009	–	393	393
NBV at 31 December 2009	–	292	292
NBV at 31 December 2010	**–**	**484**	**484**

8 Goodwill and intangible assets

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost at 1 January 2009	14,607	5,055	19,662
Revision to deferred consideration	(717)	–	(717)
Additions from business combinations	115	–	115
Accumulated at 1 January 2009	–	(2,174)	(2,174)
Amortisation for year	–	(1,011)	(1,011)
Net book amount at 31 December 2009	14,005	1,870	15,875
Net book amount at 1 January 2010	14,005	1,870	15,875
Amortisation	–	(1,011)	(1,011)
Net book amount at 31 December 2010	**14,005**	**859**	**14,864**
Cost at 31 December 2010	14,005	5,055	19,060
Accumulated amortisation	–	(4,196)	(4,196)
Net book amount at 31 December 2010	**14,005**	**859**	**14,864**

Notes to the consolidated financial statements_continued_

8 Goodwill and intangible assets_continued_

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

	2010 £'000	2009 £'000	2008 £'000
InterQuest Group (UK) Limited	5,053	5,053	5,053
PeopleCo Worldwide Limited	3,093	3,093	3,093
Sand Resources Limited	2,239	2,239	2,239
Intelect Recruitment plc	1,894	1,894	2,094
e-CRM People Limited	1,611	1,611	2,128
Korus Recruitment Group Limited	115	115	–
	14,005	14,005	14,607

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 2010 are that the CGUs will trade in accordance with the 2011 budget, which has a higher financial result than that reported for 2010, followed by range of 0% to 10% growth in sales and 5% growth in costs (from 2010 levels) in subsequent years until 31 December 2015, following which a long term growth rate of 2% has been used. An expected gross margin for each CGU ranging between 9% and 13% have been used in the forecasts. The resulting projected cash flows have been discounted at 9.0% to calculate their net present value at 31 December 2010.

The Board believes that the growth rates used in the value-in-use calculations are appropriate. The growth rate assumptions used between 2011 and 2014 are based on the results for 2010 which are comparatively low compared to 2009 results. Current trading activity in 2011 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 CGUs.

The assessment for value in use for the CGU is sensitive to both growth rates and gross margin. There would have to be a significant reduction in both growth rates and growth margin before impairment would need to be considered. These assumptions have been used for the analysis of each CGU because each CGU share similar attributes and it is appropriate to use similar assumptions.

9 Trade and other receivables

	2010 £'000	2009 £'000	2008 £'000
Gross trade receivables	16,442	13,787	15,274
Provisions	(30)	(20)	(27)
Net trade receivables	16,412	13,767	15,247
Prepayments and accrued income	2,835	2,017	1,711
Other current assets	443	79	60
	19,690	15,863	17,018

Included within gross trade receivables is £3,306,000 (2009: £3,344,000; 2008: £5,514,000) in respect of invoice discounted debts outstanding at the year end.

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

9 Trade and other receivables_continued_

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

	2010 £'000	2009 £'000	2008 £'000
Not more than 30 days	574	1,457	4,206
More than 30 days but less than 60 days	4,598	3,029	2,196
More than 60 days but less than 90 days	1,253	716	416
More than 90 days	979	160	104
	7,404	5,362	6,922

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

	2010 £'000	2009 £'000	2008 £'000
Provision for receivables impairment at 1 January	20	27	25
Unused amounts reversed	–	(7)	–
New provision in the year	10	–	2
Provision for receivables impairment at 31 December	30	20	27

The creation and release of provision for impaired receivables have been included in the profit or loss. The other classes within trade and other receivables do not contain impaired assets.

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

10 Cash and cash equivalents

	2010 £'000	2009 £'000	2008 £'000
Cash and cash equivalents	495	145	11

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

	2010 £'000	2009 £'000	2008 £'000
Cash and cash equivalents	495	145	11
Bank overdrafts (Note 12)	–	–	(167)
	495	145	(156)

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

Notes to the consolidated financial statements_continued_

11 Trade and other payables

	2010 £'000	2009 £'000	2008 £'000
Trade payables	6,699	5,578	5,884
Other tax and social security	484	488	514
Other payables	1,262	380	331
Accruals and deferred income	2,255	1,718	1,683
	10,700	8,164	8,412

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

12 Financial liabilities – borrowings

	2010 £'000	2009 £'000	2008 £'000
Less than one year			
Bank overdrafts	–	–	167
Invoice discounting facility	3,186	3,163	5,377
	3,186	3,163	5,544

The Group has access to acquisition and working capital finance facilities provided by its bankers. These facilities comprise a confidential trade receivables finance facility and an overdraft which are secured by a fixed and floating charge over the Group's assets. The confidential trade receivables finance facility is secured specifically against the Group's trade receivables. Trade receivables which have been discounted are included with trade receivables within current assets in the Group's 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, FJB (Contracts) Limited, PeopleCo Worldwide Limited and Sand Resources Limited.

13 Deferred consideration

	2010 £'000	2009 £'000	2008 £'000
Deferred consideration at 1 January	–	917	2,159
Settlement in cash	–	(200)	(610)
Revised deferred consideration adjustment	–	(717)	(632)
Deferred consideration at 31 December	–	–	917
Less than one year	–	–	717
One year to two years	–	–	200
	–	–	917

14 Deferred income tax assets and liabilities

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

	Asset £'000	Liability £'000	Net £'000
Accelerated tax depreciation	65	–	65
Tax losses carried forward	87	–	87
Deferred tax on employee share options	183	–	183
Intangible asset temporary differences	–	(242)	(242)
Asset/(liability) at 31 December 2010	335	(242)	93

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

	2010 £'000	2009 £'000	2008 £'000
Liability at 1 January	330	674	768
Profit or loss (Note 5)	(423)	(344)	(285)
Tax charged direct to equity	–	–	191
(Asset)/liability at 31 December	(93)	330	674

15 Employee benefits

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

	2010 £'000	2009 £'000	2008 £'000
Defined contributions	12	32	26

Equity settled share-based payments:

	Options	2010 weighted average exercise price	Options	2009 weighted average exercise price	Options	2008 weighted average exercise price
Outstanding at beginning of the year	4,928,500	£0.34	5,257,900	£0.32	5,035,400	£0.43
Granted during the year	40,000	£0.01	466,452	£0.01	810,000	£0.01
Forfeited during the year	(755,000)	£0.40	(795,852)	£0.29	(112,500)	£1.03
Exercised during the year	(1,836,000)	£0.25	–	–	(475,000)	£0.29
Outstanding at end of year	2,377,500	£0.39	4,928,500	£0.34	5,257,900	£0.37
Exercisable during the year	5,123,500	£0.37	5,642,900	£0.41	5,205,400	£0.35
Exercisable at the year end	1,337,500	£0.69	3,928,500	£0.43	4,000,400	£0.36
Weighted average remaining contractual life of options outstanding at the end of the year	6.7 years		6.3 years		7.0 years	

The options outstanding at 31 December 2010 had an exercise price ranging from £0.25 to £1.17 (2009: £0.25 to £0.85, 2008: £0.25 to £0.88). The estimated fair value of the options granted in the year was £1,000 (2009: £5,000, 2008 £8,000. Fair value is the value of the options at the date of grant based on their exercise price. Expected volatility was calculated by using a suitable competitor's previous share price for the two years prior to the grant of the options.

Notes to the consolidated financial statements_continued_

15 Employee benefits_continued_

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

EMI scheme

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
22 January 2004	30,000	36p	22 January 2006	22 January 2014
5 January 2005	30,000	35p	5 January 2007	5 January 2015
14 June 2005	145,000	55p	14 June 2007	14 June 2017
1 July 2005	20,000	55p	1 July 2007	1 July 2017
21 November 2005	30,000	48p	21 November 2007	21 November 2017
21 November 2005	58,000	55p	21 November 2007	21 November 2017
1 March 2006	345,000	52p	1 March 2008	1 March 2018
12 June 2006	100,000	57p	12 June 2008	12 June 2018
15 June 2006	150,000	62p	15 June 2008	15 June 2018
20 December 2006	40,000	85p	20 December 2008	20 December 2018
24 May 2007	72,500	115p	24 May 2009	24 May 2019
12 July 2007	95,000	114p	12 July 2009	12 July 2019
22 October 2007	80,000	100p	22 October 2009	22 October 2017
23 December 2008	533,548	1p	1 January 2012	1 January 2018
16 October 2009	447,291	1p	16 October 2012	16 October 2019
31 March 2010	20,000	1p	31 March 2013	31 March 2020
28 April 2010	20,000	1p	28 April 2013	28 April 2020
	2,216,339			

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

All share options are settled with equity.

Unapproved scheme

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
21 November 2005	12,000	55p	21 November 2005	21 November 2015
19 July 2007	100,000	116.5p	19 July 2009	19 July 2019
16 October 2009	19,161	1p	16 October 2012	16 October 2012
	131,161			

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

	2010 £'000	2009 £'000	2008 £'000
Weighted average share price	£0.56	£0.53	£0.37
Weighted average exercise price	£0.01	£0.01	£0.01
Expected volatility	34%	32%	40%
Expected life	1 year	1 year	1 year
Risk free rate	0.5%	0.5%	2.00%

Expected volatility was calculated by using suitable comparative historical share prices for the two years prior to the date of grant of the options. The share-based payment charge expense for 2010 is £182,000 (2009: £103,000).

16 Share capital

	2010 £'000	2009 £'000	2008 £'000
Authorised:			
80,000,000 ordinary shares of 1p each	800	800	800
Allotted, called up and fully paid:			
As at 1 January 2009:			
30,578,076 ordinary shares of 1p each	306		
Issue of share capital	18		
Cancelled share capital	(11)		
	313		
As at 31 December 2009:			
30,578,076 ordinary shares of 1p each	306		
As at 31 December 2010:			
31,286,087 ordinary shares of 1p each:	313		

Details of ordinary share capital issued and cancelled during the year is as follows:

	Gary Ashworth	George Sitwell	Alan Found	Market purchasers	Total
Issues:					
Options exercised on 30 March 2010	730,000	730,000	126,000	–	1,586,000
Founder warrants exercised on 16 July 2010	250,000	–	–	–	250,000
	980,000	730,000	126,000	–	1,836,000
Buy backs:					
Share buy back on 11 May 2010	–	–	–	(10,000)	(10,000)
Share buy back on 29 June 2010	–	–	–	(1,000,000)	(1,000,000)
Share buy back on 3 December 2010	–	–	–	(117,989)	(117,989)
	–	–	–	(1,127,989)	(1,127,989)

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

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

	2010 £'000	2009 £'000	2008 £'000
Total debt	3,186	3,163	5,544
Less: Cash and cash equivalents	(495)	(145)	(11)
Net debt	2,691	3,018	5,533
Total equity	20,909	19,830	18,633
Debt-to-capital ratio	0.13	0.15	0.30

The financial risk management policies of the Group are set out in note 21.

Notes to the consolidated financial statements_continued_

17 Operating leases

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

	2010 £'000 Land and buildings	2009 £'000 Land and buildings	2008 £'000 Land and buildings
Within one year	–	–	3
Between one and five years	306	752	1,022
Over five years	542	659	300
	848	1,411	1,325

18 Capital commitments

The Group had no capital commitments at 31 December 2010 or 31 December 2009 or 31 December 2008.

19 Related party transactions

Related party	Nature of business	2010 £	2009 £	2008 £	Directors involved
Vail Securities Limited	Consultancy services	65,000	–	19,325	G P Ashworth
Risk Capital Partners Limited	Directors fees	15,000	15,000	20,000	L O Johnson
Vail Securities Limited	Business expenses	27,144	29,337	4,172	G P Ashworth
New Generation Learning	Consultancy services	–	4,500	18,000	A W Found
New Generation Learning	Business expenses	–	1,548	4,999	A W Found
New Generation Learning	Training materials	–	3,500	3,500	A W Found

No amounts were outstanding at 31 December 2010 or 31 December 2009 or 31 December 2008.

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

Dividends declared	Date paid	Gary Ashworth £	Michael Joyce £	Alan Found £	Paul Frew £	Luke Johnson £
2.0 pence per share	19 February 2010	250,858	7,337	–	400	76,041
0.5 pence per share	28 October 2010	63,115	1,834	630	200	15,135
		313,973	9,171	630	600	91,176

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

	Korus Recruitment Group £	Lighthouse Testing Ltd £
Contractor costs	–	654,839
Central recharges	22,321	22,524
	22,321	677,363

19 Related party transactions_continued_

Amounts due to the Group at 31 December 2010 from subsidiaries not 100% owned were as follows:

	Korus Recruitment Group £	Lighthouse Testing Ltd £
InterQuest Group Plc	142,370	724,423

Amounts due from the Group at 31 December 2010 to subsidiaries not 100% owned were as follows:

	Korus Recruitment Group £	Lighthouse Testing Ltd £
InterQuest Group Plc	–	349,234

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

	2010 £'000	2009 £'000	2008 £'000
Salaries and other short-term employee benefits	1,661	1,528	1,454
Share-based payments	115	84	46
	1,776	1,612	1,500

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.

20 Events after the balance sheet date

There were no material events after the reporting date.

21 Financial risk management

Interest rate sensitivity

At 31 December 2010, the Group is exposed to changes in market interest rates through its invoice discounting and bank overdraft facilities, which are subject to variable interest rates – see note 12 for further information. The Group does not hedge the exposure to variations in interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +3% and –0.5% (2009: +3% and –1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2010 £'000 +3%	2010 £'000 –0.5%	2009 £'000 +3%	2009 £'000 –0.5%	2008 £'000 +3%	2008 £'000 –1%
Net result for the year	(229)	76	(160)	53	(353)	118
Equity	(229)	76	(160)	53	(353)	118

21 Financial risk management_continued_

Credit risk analysis

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

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

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

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

Liquidity risk analysis

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

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

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

	2010 £'000	2009 £'000	2008 £'000
Loans and receivables	19,742	15,929	16,669
Total financial assets	19,742	15,929	16,669

These financial assets are included in the statement of financial position within the following headings:

	2010 £'000	2009 £'000	2008 £'000
Current assets			
Trade receivables	16,412	13,767	15,247
Prepayments and accrued income	2,835	2,017	1,411
Cash and cash equivalents	495	145	11
	19,742	15,929	16,669

	2010 £'000	2009 £'000	2008 £'000
Financial liabilities measured at amortised cost	12,140	10,459	13,012
	12,140	10,459	13,012

21 Financial risk management_continued_

	2010 £'000	2009 £'000	2008 £'000
Current liabilities			
Borrowings	3,186	3,163	5,544
Trade payables	6,699	5,578	5,884
Accruals and deferred income	2,255	1,718	1,584
	12,140	10,459	13,012

22 Dividends paid

	2010 £'000	2009 £'000	2008 £'000
Final dividend for the year ended 31 December 2010 of 2 pence per share	769	306	–

The Directors propose a dividend of 2 pence per share to be paid on 6 April 2011 (2009: 2 pence per share).

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

We have audited the parent company financial statements of InterQuest Group plc for the year ended 31 December 2010 which comprise the parent company balance sheet, principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Director's Responsibilities (set out on page 8), the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of InterQuest Group plc for the year ended 31 December 2010.

Marc Summers, BSc, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
8 March 2011

Principal accounting policies

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

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

Fixed assets
Fixed assets are stated at cost or valuation, net of depreciation and any provisions for impairment. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold improvements	20% straight line
Office furniture and equipment	20% straight line
Motor vehicles	25% reducing balance

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

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

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

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

Equity settled share-based payment
There is an Inland Revenue approved Enterprise Management Incentive Share Option Plan and an Unapproved Share Option Plan under which share options are granted to key employees.

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

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

All equity-settled share-based payments are ultimately recognised as an expense in the Company's income statement with a corresponding credit to "share-based payment reserve".

Principal accounting policies_continued_

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

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

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

Deferred consideration

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

Company balance sheet

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible assets	1	59	59
Investments	2	23,241	23,241
		23,300	23,300
CURRENT ASSETS			
Debtors	3	4,834	4,140
Cash and cash equivalents	4	262	–
		5,096	4,140
Creditors: amounts falling due within one year	5	(12,274)	(10,733)
Net current liabilities		(7,178)	(6,593)
Total assets less current liabilities and net assets		16,122	16,707
		16,122	16,707
CAPITAL AND RESERVES			
Called up share capital	7	313	306
Share premium account	8	8,919	8,479
Capital redemption reserve	8	11	–
Profit and loss account	8	7,086	7,591
Share-based payment reserve	8	414	331
Share buy back reserve	8	(621)	–
		16,122	16,707

These parent company UK GAAP financial statements were approved by the Board on 8 March 2011 and were signed on its behalf by:

M R S Joyce
Finance Director

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

Company registration number 04298109

Notes to the Company financial statements

1 Tangible fixed assets

	Property, plant and equipment £'000	Total £'000
Cost		
As at 1 January 2010	227	227
Additions	28	28
As at 31 December 2010	**255**	**255**
Depreciation		
As at 1 January 2010	168	168
Provided in the year	28	28
As at 31 December 2010	**196**	**196**
Net book value at 31 December 2010	**59**	**59**
Net book value at 31 December 2009	59	59

2 Investments

	Total £'000
Cost	
As at 1 January 2010 and 31 December 2010	23,241

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

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

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

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

3 Debtors

	2010 £'000	2009 £'000
Amounts owed by Group undertakings	4,721	4,059
Prepayments and accrued income	98	73
Other debtors	10	3
Deferred tax asset	5	5
	4,834	4,140

4 Cash and cash equivalents

	2010 £'000	2009 £'000
Cash at bank	262	–
	262	–

5 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	87	95
Amounts owed to Group undertakings	12,048	9,931
Corporation tax	–	150
Bank overdraft	–	378
Other creditors	139	179
	12,274	10,733

The trade debtor finance facilities are secured by fixed and floating charges over the Company's assets and had a maximum facility of £12m at the year end. Interest is charged at 2.0% over the prevailing bank base rate.

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

6 Deferred taxation asset

	£'000
Asset at 1 January 2010	5
Asset de-recognised in the year	–
Asset at 31 December 2010	5

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

	2010 £'000	2009 £'000
Other timing differences	5	5
	5	5

Notes to the Company financial statements_continued_

7 Share capital

	2010 £'000	2009 £'000	2008 £'000
Authorised:			
80,000,000 ordinary shares of 1p each	800	800	800
Allotted, called up and fully paid:			
As at 1 January 2009:			
30,578,076 ordinary shares of 1p each	306		
Issue of share capital	18		
Cancelled share capital	(11)		
	313		
As at 31 December 2009:			
30,578,076 ordinary shares of 1p each	306		
As at 31 December 2010:			
31,286,087 ordinary shares of 1p each:	313		

8 Share premium account and reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Share-based payment reserve £'000	Share buy back reserve £'000
As at 1 January 2010	8,479	–	7,591	331	–
Issue of share capital	440	–	–	–	–
Capital redemption reserve	–	11	–	–	–
Profit for the year	–	–	264	–	–
Dividends paid	–	–	(769)	–	–
Share buy back	–	–	–	–	(621)
Share-based payment reserve	–	–	–	83	–
As at 31 December 2010	**8,919**	**11**	**7,086**	**414**	**(621)**

9 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the year	264	267
Issue of shares	18	–
Cancellation of share capital	(11)	–
Share proceeds from share options exercised in the year	440	–
Share-based payment reserve	83	54
Dividends paid	(769)	(306)
Share buy back reserve	(621)	–
Capital redemption reserve	11	–
Net (decrease)/increase in shareholder's funds	(585)	15
Shareholders' funds at 1 January 2010	16,707	16,692
Shareholders' funds at 31 December 2010	**16,122**	16,707

10 Capital commitments

The Company had no capital commitments at 31 December 2010 or 31 December 2009 or 31 December 2008.

11 Contingent liabilities

There were no contingent liabilities at 31 December 2010 or 31 December 2009 or 31 December 2008.

12 Operating leases

	2010 £'000 Land and buildings	2009 £'000 Land and buildings
Within one year	–	–
Between one and five years	248	493
	248	493

13 Transactions with Directors and other related companies

Related party	Nature of business	2010 £	2009 £	Directors involved
Vail Securities Limited	Consultancy services	65,000	–	G P Ashworth
Risk Capital Partners Limited	Directors fees	15,000	15,000	L O Johnson
Vail Securities Limited	Business expenses	27,144	29,337	G P Ashworth
New Generation Learning	Consultancy services	–	4,500	A W Found
New Generation Learning	Business expenses	–	1,548	A W Found
New Generation Learning	Training materials	–	3,500	A W Found

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

Dividends declared	Date paid	Gary Ashworth £	Michael Joyce £	Alan Found £	Paul Frew £	Luke Johnson £
2.0 pence per share	19 February 2010	250,858	7,337	–	400	76,041
0.5 pence per share	28 October 2010	63,115	1,834	630	200	15,135
		313,973	9,171	630	600	91,176

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

	Korus Recruitment Group £	Lighthouse Testing Ltd £
Central recharges	22,321	22,524
	22,321	22,524

Notes to the Company financial statements_continued_

11 Contingent liabilities_continued_

Amounts due from the Group at 31 December 2010 to subsidiaries not 100% owned were as follows:

	Korus Recruitment Group £	Lighthouse Testing Ltd £
InterQuest Group Plc	–	138,468

No amounts were outstanding at either year end.

The Company has taken advantage of the exemption in FRS8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group.

14 Post balance sheet events

The Company had no material post balance sheet events.

15 Profit attributable to the Company

The profit for the financial year of the Company was £0.3m (2009: £0.3m). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company.

16 Dividends paid

	2010 £'000	2009 £'000	2008 £'000
Final dividend for the year ended 31 December 2010 of 2 pence per share	769	306	–

The Directors propose to pay a dividend of 2 pence per share on 6 April 2011 (2009: 2 pence per share).

Notes

Notes

Company details

Company registration number:
04298109

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A W Found
P M L Frew
M R S Joyce

Secretary:
M R S Joyce

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