

InterQuest Group plc

Annual Report & Financial Statements
For the Year Ended 31 December 2015
08 March 2016

Company Registration No. 04298109



InterQuest Group plc

Annual report and financial statements 2015

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InterQuest Group plc

Annual report and financial statements 2015

Officers and professional advisers

Directors

G P Ashworth
C E Eldridge (appointed on 31 December 2015)
P M L Frew
D C Higgins (appointed on 7 April 2015)
D C Bygrave (appointed on 31 December 2015)
M A Braund (resigned on 31 December 2015)
M R Joyce (resigned on 31 December 2015)

Company Secretary

D C Bygrave (appointed on 31 December 2015)
M R Joyce (resigned on 31 December 2015)

Registered office

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London
EC1N 8UA

Bankers

The Royal Bank of Scotland
Benwell House
Green Street
Sunbury-on-Thames
Middlesex
TW16 6QT

Solicitors

Pinsent Masons
30 Crown Place
Earl Street
London
EC2A 4ES

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
United Kingdom
EC4A 3BZ

InterQuest Group plc

Highlights

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

Financial highlights

- Adjusted EBITA* up 12% to £5.5m (2014: £4.9m)
- Adjusted PBT* up 11% to £5.0m (2014: £4.5m)
- Statutory profit after tax up 35% to £3.1m (2014: £2.3m)
- Net fee income (NFI) up 3% to £23.8m (2014: £23.2m)
- Revenue up 5% to £158.6m (2014: £150.6m)
- Basic earnings per share up 44% to 8.5 pence (2014: 5.9 pence)
- Diluted adjusted earnings per share up 12% to 10.1 pence (2014: 9.0 pence)
- Net cash generated from operating activities £5.8m (2014: £5.4m)
- Net debt at year end of £6.0m (2014: £8.3m)
- Second interim dividend of 2 pence per share**

Improved margins & ratios

- Adjusted net operating margin (adjusted EBITA/NFI) improved by 180-bps from 21.1% to 22.9%*

Operational highlights

- A strengthening of our position as a supplier of niche technology practitioners and leaders in the digital economy
- Increasing number of clients by 6% on 2014
- 16 % increase in revenue in our recruitment process outsourcing service with an increase in the number of customers from two to five
- Permanent recruitment fees up 9% at £7.9m (2014: £7.3m)
- The Group continues to strengthen its business mix and market position in important niche segments servicing the growing demand for skills in the new digital economy. Segmental EBIT from our niche businesses now accounts for 69% of the total EBIT for the Group (2014: 64%)

Chris Eldridge, CEO of InterQuest said:

"The 2015 results show that the Group's focus on specialist skill areas and the development of our solutions business to meet our clients' needs is working. I am delighted to have joined the business at such an exciting time and look forward to continuing to deliver our strategic plan and further expand our organic growth in to the fast paced transformational technologies our clients require.

We continue to work closely with our clients to help them shape their business and implement operating model changes by finding the 'rare skill sets candidates' they require to meet the needs of the new digital economy.

InterQuest is very well positioned to build upon this performance in the months and years to come.

Our 2015 performance is a direct result of the hard work and commitment that all my colleagues across the Group have shown and I would like to thank them all on behalf of the Board for their contribution to our success."

Notes

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

EBITA = Earnings before interest, tax and amortisation

PBT = Profit before tax

** The dividend will be paid on 13 May 2016 to shareholders on the register on 15 April 2016. The ex-dividend date is 14 April 2016. This brings the total dividend for the year to 3 pence per share (2014: 2.5 pence per share)

InterQuest Group plc

Strategic Report

The InterQuest business model

The InterQuest Group is a specialist technology recruitment business. The Group focuses on both permanent and contract recruitment across a range of sectors, specifically in high growth functions including digital, information security, analytics, telecommunications, change management and other high value niche markets. This is underpinned by an expanding capability in recruitment process outsourcing, helping our clients procure resources in a highly effective manner.

The Group's strategy is to continue to focus on those markets that are experiencing growth due to high demand for transformational technologies. We are witnessing acute skill shortages for technologies that will enable our clients to either augment or transform their operating model to capitalise on the new digital economy. This demand is having an upward impact on salaries as well as permanent and contract recruitment margins.

InterQuest continues to be well positioned to assist our clients on this journey and focus on developing relationships with these highly sought after candidates and communities to ensure that we are our clients' first choice resourcing partner. Through our specialist brands, the Group seeks to both expand the volume of clients that we support while increasing our penetration and maintaining an attractive margin.

Review of the business in 2015

The Group has made progress during 2015 delivering an improved set of financial results.

InterQuest is pleased to report a significant increase in profitability in this reporting period.

- Adjusted EBITA* increased by 12% to £5.5m (2014: £4.9m)
- Adjusted PBT* increased by 11% to £5.0m (2014: £4.5m)
- Adjusted net operating margin (adjusted EBITA/NFI) improved from 21.1% to 22.9%
- Statutory profit before tax increased from £2.9m in 2014 to £4.1m in 2015

**Adjusted for share-based payment charge and non-recurring items.*

In 2015 our niche brands of IQ Analytics, IQ InfoSec, IQ Telecom and IQ Technology together with the sector focused businesses of IQ Solutions, IQ Not for Profit and IQ Public Sector delivered strong growth contributing an increase of 10% in NFI to £15.5m (2014: £14.1m).

These results were partly offset in 2015 by a challenging year for IQ ECOM, IQ Financial Markets and IQ Business Change with a reduction in combined NFI of 8% to £8.4m (2014: £9.1m). In particular, IQ ECOM was characterised in 2015 by being the year following the management team earn out and the Group management team are focussed on assisting this business regain sales traction. IQ Financial Markets was affected by a reduction in contractor margins and IQ Business Change was impacted by the loss of certain recruitment staff which were not replaced until 2015.

Our markets

There is an ongoing trend for companies across the majority of sectors to outsource infrastructure technology skills and focus on the technologies that will significantly affect their operating model, drive growth and increase market share.

This has led to established brands seeking to identify talent that will develop disruptive solutions from within as well as an increasing number of technology start ups developing solutions and tools to support them.

InterQuest Group plc

Strategic Report (continued)

The effect on the technology labour market has been two fold: stalling salaries in commoditised technology roles and upwards pressure on contract rates and salaries in transformative technologies such as digital, information security, analytics, IOT¹ and M2M².

We recognise this as a continuing trend and one that will lead to significant skill shortages in the future:

- The UK digital economy is projected to have a shortage of around 300,000 professionals by 2020;³
- By 2018, digital business will require 50% fewer business process workers and 500% more key digital jobs, compared with traditional models;⁴
- It is estimated that the UK will require 100,000 STEM graduates year on year up to 2020;⁵
- The demand for cyber-security positions has risen by over 100% year on year;⁶
- As large corporations look to develop in house solutions they will compete with high paced start-ups leading to significant demand for experienced technologists.

Looking forward, the demand for transformative technologies continues both at the leadership and technical levels. InterQuest is very well positioned to benefit from the changing technology landscape be it on a one off basis recruiting a CIO or CTO for our clients or implementing a recruitment process outsourcing solution managing all of their budgeted recruitment.

Move to higher margins

The Group continues to see the quality and profile of the business improve as a result of the focus on specialist brands that fill some of the most difficult roles with the best candidates available in the market.

As a result of this strategy:

- Contract recruitment margin on professional recruitment deals (those at margins over 12%) increased from 16.5% in 2014 to 17.2% in 2015;
- The average margin derived from contract recruitment activities (excluding payroll services) has increased to 12.8% in 2015 from 12.6% in 2014;
- The percentage contract NFI derived from what we term “professional” roles (those with a gross margin greater than 12%) has increased slightly from 64% in 2014 to 65% in 2015.

¹ IOT (Internet of Things): the network of physical objects (devices, vehicles, building, household appliances and other items embedded with electronics, software, sensors and network connectivity that enables these objects to collect and exchange data.

² M2M (machine to machine): information gathered by one machine sent to another central server, often wirelessly, where it is translated into meaningful information. Responses can then be sent the other way to change the way the machine is behaving.

³ “Technology and skills in the Digital Industries”, UKCES, 2013

⁴ “Top 10 Strategic Predictions for 2015 and Beyond: Digital Business Is Driving 'Big Change'”, **Gartner**, 2014

⁵ “Top 10 Strategic Predictions for 2015 and Beyond: Digital Business Is Driving 'Big Change'”, **Gartner**, 2014

⁶ “UK firms turning to cyber-security contractors”, **SC Magazine**, 2014

InterQuest Group plc

Strategic Report (continued)

Differentiating through our Specialisation

Utilising our multi brand strategy we are able to offer a unique set of solutions to our customers from a one off placement through to large scale recruitment campaigns and managing all of our client's recruitment needs through our Solutions Recruitment Process Outsourcing offering.

This ability to scale up a niche solution encompassing the highly specialist skills of digital, cyber security, data analytics, mobility solutions and business change is enabled by our expert recruiters all of whom are wholly focused on their area of specialisation.

The Group is able to capitalise on our existing client relationships and cross sell solutions to meet their expanding demand for niche and hard to identify talent.

As a result of focusing the Group's assets in this fashion (a set of tightly aligned specialist recruitment offerings) we are able to increase our penetration in a client and obtain higher than average margins.

The Group addresses the high growth markets through the following segments:

1. **Niche** – providing access to talent in some of the most critical areas of demand in the modern economy and comprising the following specialist brands:
 - **IQ Analytics** - Data Science, Risk, Customer Insight, Web Analytics, SAS, Statistical Modeling and Big Data;
 - **IQ InfoSec** - Internal Risk and Audit, Cyber Security Penetration Testing, Data Protection, Ethical Hacking, Forensics and IT Security;
 - **IQ Technology** - ERP, Infrastructure, Support, Software Development, Project Management, Business Analysis, Architecture, Business Intelligence, Sales, Assurance & Testing and ESM;
 - **IQ Telecom** - Voice, Data, Unified Comms, IoT, M2M, RAN, Core, IN/VAS, IP, 2g, 3g, 4g, OSS and BSS.
2. **ECOM** – the UK's leading recruiter in the digital market space which the Group acquired in November 2013 and recruiting talent with UX, Creative, Technology, Project Management, Digital Marketing, eCommerce, Content and Strategy skills.
3. **Enterprise** – comprising
 - IQ Solutions - our Recruitment Process Outsourcing services together with,
 - IQ Financial Markets - our legacy client relationships with significant customers in the financial services and retail sectors;
4. **Public sector** – comprising
 - IQ Public Sector – focused on recruitment for the NHS, higher education, housing associations, central and local government
 - IQ Not for Profit – specialising in the charity sector.

InterQuest Group plc

Strategic Report (continued)

5. **Business Change** (formerly Mint) – a candidate centric “spot” business focused on change management and providing the Group with an alternative route to market; and
6. **Other** – including central costs.

We continue to invest in these specialist brands and sectors and work to identify additional niche technologies to meet the demands of our clients.

Our customers’ demands for niche skills will evolve over time and through retaining our client relationships and fostering open and supporting relationships with our candidate communities, InterQuest will be able to remain agile and focused on emerging technologies and trends.

Our Primary services

InterQuest’s primary two services are contract and permanent recruitment. When looking at the full year, the mix between the two services was one third permanent recruitment, two thirds contract recruitment. This is aligned to the business plan and provides a healthy mix of fee income.

It is increasingly hard to identify a specialist resource, be they contract or permanent, who is either immediately available or actively seeking a new role.

It is more likely that the ideal candidate is currently engaged on an assignment or focused on the permanent role that they already have. At InterQuest we invest in building long standing relationships with prospective candidates, building trust and a clear picture of what their ideal next move would be in order for us to accurately match them to their next role.

This form of soft headhunting is an effective and proven recruitment technique at InterQuest and we are only able to do this through our focus on specialist skills.

The service that InterQuest delivers is highly valued by candidates with over 90% rating the service received as Good or Excellent.

Contracts

InterQuest provides both Contractors and Interim Managers to our clients normally providing their services through a limited company and being paid on an hourly or daily basis. The Group has focused on reducing the volume of generalist contractors as this market can be seen to be increasingly commoditised in favour of increased effort and focus on specialist, niche or mid to senior management.

Total Contract net fee income was £15.9m (2014: £16.0m). This was due to a reduction in the number of volume contractors (sub 12% margin). Higher value Professional contractors however remained stable across the year and is one of the focus areas for growth over 2016.

Permanent

InterQuest predominantly provides permanent solutions, meaning that our fees are paid directly as a result of a successful placement from across our specialist business areas. InterQuest’s continued focus on specialist skillsets and developing strong relationships with our client’s means that we receive an increasing amount of repeat business.

Total Permanent net fee income increased by 9% to £7.9m (2014: £7.3m) as a result of increased activity across the course of the year. This is due to clients seeking to invest in permanent resources that they can both train and retain in their businesses. Revenues are primarily made up of contingent fees at the technologist and manager level where the demand has been most consistent across the year.

InterQuest Group plc

Strategic Report (continued)

Solutions

IQ Solutions primarily offers Recruitment Process Outsourcing solutions to five customers based in the UK. Net fee income from these services increased by 16% during 2015 to £1.04m (2014: £0.90m) and the business was able to introduce all of the Group's specialist brands to provide niche resources.

Candidate identification through Digital Channels

InterQuest continues to invest in our digital presence with the objective of developing and deepening our relationship with niche, hard to find specialist candidates.

Content

The increasing trend of accessing the internet through mobile devices along with candidates from the digital economy being potentially attracted to roles through social media (as opposed to a more traditional route) has led to InterQuest producing an increased level of content.

To drive interaction InterQuest has been producing more market commentary, white papers, technology trend surveys and insight to attract and retain the interest of specialist candidates.

Website

The InterQuest website is designed to work across all devices and is mobile enabled allowing candidates to access all of the roles the Group has on offer. There is a rich and diverse mix of content on the website informing our candidates and clients and helping them with their job search.

Social Media

Through 2015 we have significantly increased the volume of candidate interaction through social media, developing 15 niche social media communities and instigating 6 industry specific blogs. An increasing number of candidates favour social media as their preferred method of communicating with the Group.

InterQuest has grown its social media audience to over 60,000.

Focus Points for the future

Progress was made in 2015 to support InterQuest's growth strategy and there are a number of focus points for the coming year.

Improving our margins

The demand for specialist talent is maturing and as such so are the candidates that we will support over the coming years. With this comes wage inflation and it is our aim to increase the salary level and day rate that the Group achieves, thus increasing our margin.

Leveraging our client base

With an increasing client base, up 6% on 2014, the opportunity to cross sell the Group's individual specialist brands across our existing clients is significant. To support our ongoing activities, a central function will be created focusing on supporting our clients' specialist skill needs.

International Markets

With 2.8% of the Group's revenue being derived from outside the UK in 2015 (2014: 2.9%), there is a significant opportunity to identify and acquire high value business in the Group's specialist markets internationally. Currently all recruitment activity is directly managed through the subsidiaries incorporated in the UK.

InterQuest Group plc

Strategic Report (continued)

IQ Solutions

Further developing our Solutions business to support our clients and assist them in procuring technology resources (and other head office functions) in an effective and efficient manner. InterQuest is uniquely positioned to offer value-add recruitment outsourcing solutions in the specialist skillsets that are driving the digital economy.

Learning & Development

The quality of our service and our staff is directly linked to client retention and cross selling.

During 2016 our consultants will be supported by an updated learning and development function aimed at providing all of our staff with a high degree of expertise in their specific area of specialisation.

All of our consulting staff and leadership will be supported by a redesigned, industry leading training programme that will aim to develop their skills and knowledge and result in more effective client management, improved productivity per head and increased tenure.

Key Performance Indicators

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

	31 December 2015 £'000	31 December 2014 £'000
Financial KPIs:		
Revenue	158,613	150,647
Net Fee Income	23,813	23,249
Gross profit percentage	15.0%	15.4%
Gross profit percentage – contract recruitment (excluding payroll services)	12.8%	12.6%
EBITA* before non-recurring items	5,260	4,060
EBITA* before non-recurring items and IFRS 2 charges	5,452	4,912
Net cash inflow from operating activities	5,804	5,407
Net debt	5,999	8,333
Non-financial KPIs:		
Recruitment staff (average number during the year)	224	225
Administration staff (average number during the year)	52	48

* EBITA = Earnings before interest, tax and amortisation (see note 1)

Net fee income increased by £0.6m, or 3%, to £23.8m (2014: £23.2m).

Contract recruitment activities (excluding payroll) net fee income percentage increased from 12.6% in 2014 to 12.8% in 2015. This reflects continued gains in contractor recruitment % margin as a result of the strategy of focusing on specialist and difficult to fill roles that command higher margins. However, the effect of the increase in payroller net fee income, at lower margins, reduced the net fee income (gross margin) percentage from 15.4% to 15.0%,

The split of NFI between contract (including payrolling services) and permanent recruitment activities remained at around 67:33 in favour of contract (see note 1).

EBITA before non-recurring items and IFRS 2 share charge (reconciliation provided in note 1) increased by 12% to £5.5m (2014: £4.9m).

InterQuest Group plc

Strategic Report (continued)

Key Performance Indicators (continued)

Net finance costs were £0.44m (2014: £0.41m).

Profit before tax increased to £4.1m (2014: £2.9m).

Tax on profits was £1.1m before non-recurring items (2014: £0.7m); a detailed analysis is included at note 6.

Non-recurring items

The following table summarises non-recurring items in the 2015 financial statements:

	2015 £'000	2014 £'000
ECOM integration costs	-	(132)
Tax on ECOM integration costs	-	30
Relocation of support functions	-	(127)
Tax on relocation of support functions	-	28
Costs related to Formal Sales Process	-	(99)
Tax on costs related to Formal Sales Process	-	21
Acquisition costs	(21)	(50)
Restructuring costs	(118)	-
Tax on restructuring costs	24	-
Redundancy and loss of office costs	(219)	-
Tax on loss of office costs	44	-
	<u>(290)</u>	<u>(329)</u>

In 2015 the Group incurred non-recurring costs in three areas:

- i) £21k with respect to the acquisition of the non-controlling interest (NCI) in IQ Telecoms and Korus Group;
- ii) £118k restructuring costs across the Group; and
- iii) £219k with relation to redundancies during the year.

See note 3 for further details.

Earnings per share and dividend

Basic earnings per share were 8.5 pence (2014: 5.9 pence per share). When non-recurring items, the IFRS 2 share-based payment charge, amortisation of intangibles and the tax in respect of these items are removed, the basic adjusted earnings per share is 10.5 pence representing an increase of 8% from 9.6 pence in 2014. See note 7 for details of the calculation.

We are declaring a second interim dividend of 2 pence per share in line with the Group's dividend policy and this will be paid on 13 May 2016 to shareholders on the register on 15 April 2016. The ex-dividend date is 14 April 2016.

Balance sheet, cash flow and financing

The Group's net assets increased by £0.65 m to £23.42m at 31 December 2015 (2014: £22.77m).

Strong growth in operating profit before non-recurring items and tight control of working capital delivered £5.8m of operating cash flow (2014: £5.4m). The Group paid £0.44m (2014: £0.41m) of interest during the year. Net capital expenditure was £0.14m (2014: £0.47m) and dividends of £1.09m (2014: £0.86m) were paid.

InterQuest Group plc

Strategic Report (continued)

Balance sheet, cash flow and financing (continued)

Net debt decreased from £8.3m at the start of the year to £6.0m at the end of 2015 (2014: decreased from £9.0m at the start of the year to £8.3m at the end of the year). The Group continues to finance its activities through the utilisation of a confidential trade receivables finance facility. The facility limit is £20.0m and the facility has a six month rolling notice period. The Group cannot utilise invoices if they remain unpaid 90 days from the end of the month in which they were issued.

Going concern

The Group delivered a robust set of trading results in 2015 and this trend has continued into 2016. The balance sheet also shows a strong cash position at year-end indicating availability of financial resources.

The Board has reviewed and adopted the Group's 2016 financial budget and reviewed cash flow projections to the end of March 2017 including investment and capital expenditure outflows. The Group is currently financed with a £20 million confidential trade receivables finance facility renewable on a rolling basis with six month's notice.

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

Principal business risks

Recent employment legislation has increased the burden of compliance upon staffing companies and their clients. Future employment legislation could have a negative impact upon the UK recruitment market and the IT contractor market in particular. Future tax legislation or rulings could have a negative impact upon the financial status of IT contractors' personal service companies. The Group mitigates these risks by adopting a conservative and diligent approach to compliance led by our in house legal counsel and compliance team.

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

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

InterQuest Group plc

Strategic Report (continued)

Responsibility statement

We confirm that to the best of our knowledge:

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

Cautionary statement

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

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

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to InterQuest Group plc and its subsidiary undertakings when viewed as a whole.

Signed on behalf of the Board

Chris E Eldridge

Chief Executive Officer

InterQuest Group PLC

8 March 2016

InterQuest Group plc

Report of the directors

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2015. An indication of likely future developments in the business of the company, statement on the going concern assumption, review of the performance of the Group and presentation of key performance indicators are included in the Strategic Report.

Results and dividends

The Group's profit for the year amounted to £3.1m (2014: £2.3m). The directors propose to pay a second interim dividend of 2.0 pence per share on 13 May 2016 (2014: 2.0 pence per share).

Post balance sheet events

There are no material post balance sheet events to report.

Employees

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

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

Directors and their interests

The directors who served during the year are set out below. The interests of the directors and their families in the shares of the company as at 1 January 2015 and 31 December 2015 were as follows:

	Ordinary shares of 1p each	
	31 December 2015	31 December 2014
	£'000	£'000
G P Ashworth	12,512,032	12,512,032
M A Braund	400,603	465,603
M R S Joyce	-	170,830
P M L Frew	72,583	72,583
C E Eldridge	-	-
D C Bygrave	-	-

The role of Chairman, held by Gary Ashworth was designated Non-Executive on 24 April 2014. No director had, during or at the end of the year, a material interest in any contract that was significant in relation to the Company's business.

On 31 December 2015 Mark Braund and Michael Joyce resigned as directors, whilst Chris Eldridge and David Bygrave were appointed as directors. Michael Joyce resigned as company secretary on 31 December 2015, David Bygrave was appointed company secretary on the same day.

The Company's share price has ranged from a low of 79.5 pence to a high of 105.50 pence during the year with a closing price of 85.50 pence at 31 December 2015.

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Report of the directors (continued)

Share capital

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

Substantial shareholdings

As at 1 December 2015, the directors were aware of the following interests in the ordinary share capital of the Company representing an interest of 2.8% or more of the Company's issued share capital.

Name of holder	Number of shares	Percentage shareholding
Gary Ashworth	12,509,012	34.6%
ISPartners Investment Solutions	4,014,376	11.2%
Livingbridge	2,250,789	6.3%
James Mellon	1,728,181	4.8%
BNP Paribas Inv Partners France	1,700,000	4.7%
Close Brothers Asset Management	1,588,555	4.4%

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 on-going basis.

InterQuest Group plc

Report of the directors (continued)

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

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

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

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

Directors' Indemnities

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

Financial risk management and policies

The Group finances its operations through a mixture of retained earnings and borrowings. The borrowings all carry variable rates of interest and no interest swaps or other hedging mechanisms have been utilised. All treasury activities are undertaken primarily to finance the business and the Group does not plan to profit from such activities and does not enter into speculative treasury arrangements. The Group maintains several bank accounts denominated in foreign currencies including Euros, US, Canadian, Singapore and Australian dollars, Swedish Krona, Swiss Francs and Polish Zloty. Given the scale of the transactions denominated in the foreign currencies, the Group does not consider it necessary to enter into forward foreign exchange contracts or to enter into any form of hedging. For further information on the Group's financial risk management and policies refer to note 22.

Auditor

As required by Section 418 of the Companies Act 2006, each of the Directors as at 8 March 2016 confirms that:

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

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

InterQuest Group plc

Report of the directors (continued)

Directors' responsibilities statement

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

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

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

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

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

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

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

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

By order of the board

David C Bygrave
Company Secretary
8 March 2016

InterQuest Group plc

Corporate governance report

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

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

Operation of the Board

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

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

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

Composition of the Board

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

The Board considers Paul Frew to be independent. He provides no services to the Group other than acting as Non-Executive Director and he receives a basic salary but no bonus. He holds 72,583 shares and was granted an option over 40,000 shares on 1 November 2011 but has no other interest in the share capital of the Group.

Non-Executive Chairman

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

Chief Executive Officer

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

Board committees

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

Audit Committee

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

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

InterQuest Group plc

Corporate governance report (continued)

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

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

Details of fees paid to the auditor for both audit and non-audit work are provided in note 2 to the consolidated financial statements.

Nomination Committee

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

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

Remuneration Committee

The Remuneration Committee comprises Paul Frew who considers, once a year, the remuneration policy and the individual remuneration packages of the two Executive Directors and the Non-Executive Chairman.

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

Attendance at board and committee meetings

During 2015, the Board met formally 11 times in addition to informal meetings and attendance at the AGM. All directors attended all 11 meetings.

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

Performance evaluation

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

Assessment of risk and internal control

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

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

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

InterQuest Group plc

Corporate governance report (continued)

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

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

Internal audit

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

InterQuest Group plc

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

We have audited the group financial statements of InterQuest Group plc for the year ended 31 December 2015 which comprise the consolidated income statement, the statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Report of the Directors for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

InterQuest Group plc

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

Matters on which we are required to report by exception

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

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

Other matters

We have reported separately on the parent company financial statements of InterQuest Group plc for the year ended 31 December 2015.

John Charlton

(Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

8 March 2016

InterQuest Group plc

Principal accounting policies

Nature of operations and general information

The InterQuest Group is a group of specialist technology recruitment businesses providing contract and permanent recruitment services within niche disciplines in the analytics, financial and technology market sectors in the UK and Europe. The Group's specialist divisions cover a broad range of skill sets and industries including Public Sector, SAP, Oracle, CRM Testing, Banking, Insurance, Retailing, Media, Analytics, Infrastructure and Communications. The Group operates from eight United Kingdom locations and has a centralised finance and administration function.

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

InterQuest Group plc is the Group's ultimate parent company. It is incorporated and domiciled in the United Kingdom. The address of InterQuest Group plc's registered office is 6-7 St Cross Street, London EC1N 8UA. InterQuest Group plc's shares are listed on the Alternative Investment Market (AIM).

Basis of preparation

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

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

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

Developments in accounting standards/ IFRS

The following new and revised Standards and Interpretations have been adopted by the Group in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements:

IFRS 10: Consolidated Financial Statements;

IAS 32 (revised): Offsetting Financial Assets and Financial Liabilities.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9: Financial Instruments;

IFRS 15: Revenue from contracts with customers;

IFRS 16: Leases

IAS 27(revised): Investment Entities;

IAS 36 (revised): Recoverable Amount Disclosures for Non-Financial Assets; and

IAS 39 (revised): Novation of Derivatives and Continuation of Hedge Accounting.

In addition to the above, IFRS 15: Revenue from contracts with customers (IFRS 15) has been issued but not yet been endorsed by the EU. IFRS 15 addresses recognition of revenue from customer contracts and impacts the amounts and timing of the recognition of such revenue. The Group is yet to assess the impact of IFRS 15 on the Consolidated Financial Statements.

The IASB released IFRS 16: Leases on 13 January 2016. The expected date for adoption into EU-IFRS has not yet been set. Given the proximity to year end management have not yet formally assessed the impact of the final standard on the Group's financial statements. However, we note that the Group has substantial operating lease commitments as disclosed in note 17.

InterQuest Group plc

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 2015. 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

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

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

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

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

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

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

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

InterQuest Group plc

Principal accounting policies (continued)

Intangible assets

Other intangible assets

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

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

Goodwill

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

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

Impairment of assets

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

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

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

Revenue

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

Revenue for temporary contract assignments is recognised over the contract period for the services of the temporary contractor. Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is derived from non-retained assignments (income is recognised at the time the candidate accepts an offer of full time employment by a customer and where a start date has been determined).

Revenue recognised from temporary contract assignments and permanent placements, but not yet invoiced, at the reporting date, is correspondingly accrued on the balance sheet within "accrued income" as part of "trade and other receivables". No provision is made for the cancellation of placements prior to or shortly after the commencement of employment.

InterQuest Group plc

Principal accounting policies (continued)

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

Property, plant and equipment

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

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

Leased assets

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

Current and deferred tax

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

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

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

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

InterQuest Group plc

Principal accounting policies (continued)

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

Financial instruments

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

Financial liability and equity instruments

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

Trade receivables and trade payables

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

Bank borrowings

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

Cash and cash equivalents

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

Employee benefits

Defined contribution pension scheme

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

Equity-settled share-based payment

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

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2016 are recognised in the financial statements.

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

InterQuest Group plc

Principal accounting policies (continued)

Equity-settled share-based payment (continued)

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

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

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

Long-Term Incentive Plan

In December 2008, shareholders approved a share-based Long-Term Incentive Plan ('LTIP'). This Plan provides EMI share option awards to Executive Directors and Senior Management subject to certain non-market vesting conditions, including their continuing employment with the Group.

Senior management incentive plans which include participants acquiring financial instruments whose value is linked to the achievement of certain performance measures and are payable in equity are treated as non-market based vesting condition equity-settled share-based payments under IFRS 2. The market condition of the share options was taken into account when the fair value of the equity instruments was determined. The expense is recognised in the income statement over the vesting period of the share options. The conditions of the options include a cumulative share price hurdle. Payments due to the company as a result of the purchase of shares from the scheme are accounted for upon exercise.

Acquisition and working capital finance facilities

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

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

Foreign currency

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

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

InterQuest Group plc

Principal accounting policies (continued)

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

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

Non-recurring items

Non-recurring items of income and expense are disclosed in the income statement as 'non-recurring items'. Examples of items which may give rise to disclosure as 'non-recurring' include inter alia gains or losses on the disposal of businesses, acquisition costs, investments and property, plant and equipment, costs of restructuring and reorganisation of existing businesses and asset impairment.

Critical accounting judgements and key sources of estimation uncertainty

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

Goodwill impairment

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

Intangible assets

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

InterQuest Group plc

Principal accounting policies (continued)

Contingent assets and liabilities

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

Deferred tax

Management judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. Deferred tax assets are only recognised to the extent they are considered recoverable based on forecasts of available taxable profits against which they can be utilised.

InterQuest Group plc

Consolidated income statement For the year ended 31 December 2015

	Notes	Before non- recurring items £'000	Non- recurring items £'000	2015 £'000	Before non- recurring items £'000	Non- recurring items £'000	2014 £'000
Group revenue	1	158,613	-	158,613	150,647	-	150,647
Cost of sales		(134,800)	-	(134,800)	(127,398)	-	(127,398)
Gross profit	1	23,813	-	23,813	23,249	-	23,249
Amortisation	2	(345)	-	(345)	(345)	-	(345)
Other administrative expenses	2,3	(18,554)	(337)	(18,891)	(19,189)	(358)	(19,547)
Total administrative expenses	2,3	(18,899)	(337)	(19,236)	(19,534)	(358)	(19,892)
Group operating profit/(loss)	2,3	4,914	(337)	4,577	3,715	(358)	3,357
Acquisition costs	3	-	(21)	(21)	-	(50)	(50)
Finance costs	5	(444)	-	(444)	(411)	-	(411)
Profit/(loss) before taxation		4,470	(358)	4,112	3,304	(408)	2,896
Income tax (expense) / credit	6	(1,095)	68	(1,027)	(659)	79	(580)
Profit/(loss) for the year		3,375	(290)	3,085	2,645	(329)	2,316

InterQuest Group plc

Statement of comprehensive income For the year ended 31 December 2015

	Notes	Before non- recurring items £'000	Non- recurring items £'000	2015 £'000	Before non- recurring items £'000	Non- recurring items £'000	2014 £'000
Profit/(loss) and total comprehensive income attributable to:							
- Owners of the parent		3,310	(290)	3,020	2,331	(329)	2,002
- Non controlling interests	24	65	-	65	314	-	314
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income/(expense) for the year		<u>3,375</u>	<u>(290)</u>	<u>3,085</u>	<u>2,645</u>	<u>(329)</u>	<u>2,316</u>

Profit per share from both total and continuing operations:

	Notes	2015 Pence	2014 Pence
Basic earnings per share	7	<u>8.5</u>	<u>5.9</u>
Diluted earnings per share	7	<u>8.2</u>	<u>5.5</u>

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

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

InterQuest Group plc

Consolidated balance sheet As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	611	941
Goodwill	9	18,867	18,867
Intangible assets	9	1,000	1,345
Deferred tax assets	14	-	149
Total non-current assets		<u>20,478</u>	<u>21,302</u>
Current assets			
Trade and other receivables	10	27,417	26,366
Cash at bank and in hand	11	1,181	1,279
Total current assets		<u>28,598</u>	<u>27,645</u>
Total assets		<u>49,076</u>	<u>48,947</u>
Liabilities			
Current liabilities			
Trade and other payables	12	(16,698)	(15,122)
Borrowings	13	(7,180)	(9,612)
Current tax payable		(1,571)	(1,439)
Total current liabilities		<u>(25,449)</u>	<u>(26,173)</u>
Non-current liabilities			
Deferred income tax liability	14	(212)	-
Total non-current liabilities		<u>(212)</u>	<u>-</u>
Total liabilities		<u>(25,661)</u>	<u>(26,173)</u>
Net assets		<u>23,415</u>	<u>22,774</u>
Equity			
Share capital	16	359	344
Share premium account		10,632	10,468
Capital redemption reserve		12	12
Retained earnings		10,829	10,322
Share-based payment reserve		2,199	2,006
Share buyback reserve		(666)	(666)
Total issued share capital and reserves attributable to the owners of the parent		<u>23,365</u>	<u>22,486</u>
Non-controlling interests	24	50	288
Total equity		<u>23,415</u>	<u>22,774</u>

The financial statements of InterQuest Group plc, registered number 04298109 were approved by the Board of Directors on 8 March 2016. Signed on behalf of the Board of Directors

David C Bygrave
Director

InterQuest Group plc

Consolidated statement of changes in equity For the year ended 31 December 2015

	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 2014	340	10,364	12	9,194	1,154	(666)	(17)	20,381
Comprehensive income								
Profit for the year	-	-	-	2,002	-	-	314	2,316
Total comprehensive income for the year	-	-	-	2,002	-	-	314	2,316
Transactions with owners								
Movement in share-based payment reserve	-	-	-	-	852	-	-	852
Issue of share capital	4	104	-	-	-	-	-	108
Current tax credit on share based payments	-	-	-	12	-	-	-	12
Deferred tax credit	-	-	-	27	-	-	-	27
Dividends relating to 2014	-	-	-	(852)	-	-	(9)	(861)
Movement on reserves of foreign subsidiary	-	-	-	(61)	-	-	-	(61)
Total contributions by and distributions to owners	4	104	-	(874)	852	-	(9)	77
Balance at 31 December 2014	344	10,468	12	10,322	2,006	(666)	288	22,774
Comprehensive income								
Profit for the year	-	-	-	3,020	-	-	65	3,085
Total comprehensive income for the year	-	-	-	3,020	-	-	65	3,085
Transactions with owners								
Movement in share-based payment reserve	-	-	-	-	193	-	-	193
Issue of share capital	15	164	-	-	-	-	-	179
Current tax credit on share based payments	-	-	-	(191)	-	-	-	(191)
Deferred tax credit	-	-	-	39	-	-	-	39
Dividends relating to 2015	-	-	-	(1,089)	-	-	-	(1,089)
Elimination of reserves on acquisition of IQ Telecoms NCI	-	-	-	-	-	-	(307)	(307)
Elimination of reserves on acquisition of Korus Group NCI	-	-	-	-	-	-	4	4
Adjustment to IQ Telecoms NCI	-	-	-	(1,013)	-	-	-	(1,013)
Adjustment to Korus Group NCI	-	-	-	(259)	-	-	-	(259)
Total contributions by and distributions to owners	15	164	-	(2,513)	193	-	(303)	(2,444)
Balance at 31 December 2015	359	10,632	12	10,829	2,199	(666)	50	23,415

InterQuest Group plc

Consolidated cash flow statement For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit after taxation		3,085	2,316
Adjustments for:			
Depreciation	2	441	393
Disposal of assets	8	(10)	-
Share-based payment charge	2	193	852
Finance costs	5	444	411
Amortisation	2	345	345
Income tax expense	6	1,027	580
Increase in trade and other receivables		(1,052)	(2,232)
Increase in trade and other payables		2,019	3,205
		<hr/>	<hr/>
Cash generated from operations		6,492	5,870
Income taxes paid		(688)	(463)
		<hr/>	<hr/>
Net cash from operating activities		5,804	5,407
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(138)	(465)
Acquisition of subsidiaries, net of cash acquired and goodwill adjustments	18, 19	(1,560)	(21)
Loan notes repaid		(443)	(1,687)
Deferred consideration paid		-	(1,340)
		<hr/>	<hr/>
Net cash used in investing activities		(2,141)	(3,513)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from issue of share capital		179	108
Proceeds from sale of shares in subsidiary		25	-
Net decrease in discounting facility		(2,432)	(453)
Interest paid	5	(444)	(411)
Dividends paid	23	(1,089)	(861)
		<hr/>	<hr/>
Net cash (used in) / generated from financing activities		(3,761)	(1,617)
		<hr/>	<hr/>
Net (decrease)/increase in cash, cash equivalents and overdrafts		(98)	277
Effects of currency translation on cash and cash equivalents		-	(61)
Cash, cash equivalents and overdrafts at beginning of year	11	1,279	1,063
		<hr/>	<hr/>
Cash and cash equivalents at end of year	11	1,181	1,279
		<hr/> <hr/>	<hr/> <hr/>

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015

1. Revenue and segmental reporting

For management reporting purposes the Group is organised into the following six divisions:

1. Niche – comprising specialist recruitment practices focused on Analytics, Business Intelligence, Cyber Security, Internet of Things, Telecommunications, Risk and Compliance which provide access to talent in some of the most critical areas of demand in the modern economy;
2. ECOM Recruitment Limited – the UK’s leading recruiter in the digital market space which the Group acquired in November 2013;
3. Enterprise – comprising our Recruitment Process Outsourcing services together with legacy client relationships with significant customers in the financial services and retail sectors;
4. Public sector – focused on the public sector and not for profit markets;
5. Business Change – a candidate centric “spot” business focused on change management and providing the Group with an alternative route to market; and
6. Other – including central costs.

All business units provide contract and permanent recruitment services and have similar economic characteristics and are considered to meet the aggregation criteria of IFRS.

Information regarding segment assets is not provided to the Group’s chief operating decision maker. This is because the Group considers net fee income (gross profit) and profitability for the purpose of making decisions about allocation of resources.

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

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

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

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

1. Revenue and segmental reporting (continued)

2014	Niche £'000	ECOM £'000	Enterprise £'000	Public Sector £'000	Business Change £'000	Other £'000	Intercompany Trading £'000	Total £'000
Revenue	37,763	19,639	47,677	26,514	13,982	5,254	(182)	150,647
Gross profit	7,831	4,442	3,976	2,769	2,898	1,333	-	23,249
EBITA per management accounts	3,152	1,331	1,611	1,208	782	(3,172)	-	4,912
Reconciling items to amounts reported in the statement of comprehensive income:								
- share-based payment charge								(852)
- non-recurring items								(358)
- amortisation of intangible assets								(345)
Statutory operating profit								3,357
Acquisition costs								(50)
Finance costs								(411)
Profit before tax								2,896

	Revenue		Gross profit	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Permanent	7,939	7,274	7,939	7,274
Contract	150,674	143,373	15,874	15,975
	<u>158,613</u>	<u>150,647</u>	<u>23,813</u>	<u>23,249</u>

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

There are no external customers who individually represent more than 10% of the entity's external revenues during the year (2014: no client represented more than 10%).

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

2. Administrative expenses

Administrative expenses include the following:

	2015 £'000	2014 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	20	15
Audit of Company's subsidiaries pursuant to legislation	70	70
Total audit fees	90	85
- other services pursuant to legislation	4	4
Total non-audit fees	4	4
Total auditor's remuneration	94	89
Amortisation of intangible assets (see note 9)	345	345
Depreciation (see note 8)	441	393
Non-recurring items (see note 3)	358	408
Operating lease rentals – land and buildings	500	557
Share-based payment charge (see note 4)	193	852
Foreign currency losses	94	113

3. Non-recurring items

The below represent non-recurring items in the 2015 financial statements:

	2015 £'000	2014 £'000
ECOM integration costs	-	(132)
Tax on ECOM integration costs	-	30
Relocation of support functions	-	(127)
Tax on relocation of support functions	-	28
Costs related to Formal Sales Process	-	(99)
Tax on costs related to Formal Sales Process	-	21
Acquisition costs	(21)	(50)
Restructuring costs	(118)	-
Tax on restructuring costs	24	-
Redundancy and loss of office costs	(219)	-
Tax on loss of office costs	44	-
	(290)	(329)

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Non-recurring items (continued)

In 2015 the Group incurred non-recurring costs in three areas:

- i) £21k with respect to the acquisition of the NCI in IQ Telecoms Ltd and Korus Group;
- ii) £118k restructuring costs across the Group; and
- iii) £219k with relation to redundancies during the year.

4. Directors and employees

Staff costs including Directors during the year were as follows:

	2015 £'000	2014 £'000
Wages and salaries	13,463	9,444
Social security costs	1,515	1,377
Other pension costs (see note 15)	144	132
Share-based payment charge	193	852
	<u>15,315</u>	<u>11,805</u>

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

	2015 Number	2014 Number
Recruitment consultants	224	225
Administration	52	48
	<u>276</u>	<u>273</u>

Remuneration in respect of directors was as follows:

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

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

4. Directors and employees (continued)

2014	Salary and fees £'000	Benefits £'000	Bonuses £'000	Total £'000	Pensions £'000	Total £'000
Executive Directors						
M A Braund	259	3	222	484	10	494
M R S Joyce	179	2	82	263	-	263
Non-Executive Director						
G P Ashworth	105	2	86	193	-	193
P M L Frew	30	-	-	30	-	30
	<u>573</u>	<u>7</u>	<u>390</u>	<u>970</u>	<u>10</u>	<u>980</u>

G P Ashworth became a non-executive director in 2014.

D C Higgins became a non-executive director on 7 April 2015.

C E Eldridge and D C Bygrave became executive directors on 31 December 2015

All bonuses shown above are payable in cash.

5. Finance costs

	2015 £'000	2014 £'000
Interest payable on borrowings	<u>444</u>	<u>411</u>

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Income tax expense

	Before non- recurring items £'000	Non- recurring items £'000	2015 £'000	2014 £'000
Current tax				
Corporation tax on profits for the year	975	(68)	907	850
Adjustments in respect of prior periods	(50)	-	(50)	(158)
	<hr/>	<hr/>	<hr/>	<hr/>
Total current tax	925	(68)	857	692
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax				
Origination and reversal of temporary difference	(37)	-	(37)	(170)
Adjustment in respect of prior periods	207	-	207	58
	<hr/>	<hr/>	<hr/>	<hr/>
Total income tax expense	<u>1,095</u>	<u>(68)</u>	<u>1,027</u>	<u>580</u>

	2015 £'000	2014 £'000
Income tax expense recognised outside of the income statement		
Current tax charge/(credit) on share-based payments	191	(12)
Deferred tax charge/(credit) on share-based payments	(39)	(27)
	<hr/>	<hr/>
Total tax recognised outside of income statement	<u>152</u>	<u>(39)</u>

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Income tax expense (continued)

	Before non- recurring items £'000	Non- recurring items £'000	2015 £'000	2014 £'000
Profit/(loss) before taxation	4,470	(358)	4,112	2,896
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	905	(72)	833	622
Effects of:				
Depreciation of assets not qualifying for tax relief	24	-	24	18
Net effect of tax losses in the year	1	-	1	(25)
Expenses not deductible for tax purposes	35	4	39	53
Income not taxable	-	-	-	-
Temporary difference with respect to share-based payment charge	(4)	-	(4)	-
Under/(over) provisions in prior years	157	-	157	(100)
Effect of change in tax rates	(23)	-	(23)	12
Total income tax expense	1,095	(68)	1,027	580

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

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

7. Earnings per share

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

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

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

	2015 £'000	2014 £'000
Profit for the year attributable to the owners of the company	3,020	2,002
Adjustments to basic earnings		
Intangible assets amortisation	345	345
Deferred tax credit on intangible asset amortisation	(69)	(69)
Share-based payment charge	193	852
Tax credit on share-based payment charge	(39)	(183)
Restructuring items	118	132
Tax on restructuring items	(24)	(30)
Finance relocation	-	127
Tax on finance relocation	-	(28)
Formal sales process	-	99
Tax on formal sales process	-	(21)
Fees related to acquisition of ECOM Recruitment Limited	21	50
Redundancy and loss of office costs	219	-
Tax on loss of office costs	(44)	-
Adjusted earnings attributable to the owners of the company	<u>3,740</u>	<u>3,276</u>
	2015	2014
Weighted average number of ordinary shares for the purposes of basic earnings per share	35,635,968	34,211,021
Weighted average number of share options in issue	1,359,421	2,323,642
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>36,995,389</u>	<u>36,534,663</u>

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

	2015 Pence	2014 Pence
Profit per share		
Basic earnings per share	8.5	5.9
Diluted earnings per share	8.2	5.5
Adjusted earnings per share		
Basic earnings per share	10.5	9.6
Diluted earnings per share	10.1	9.0

8. Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2014	458	2,420	27	2,905
Additions	259	206	-	465
At 31 December 2014	717	2,626	27	3,370
At 1 January 2015	717	2,626	27	3,370
Additions	9	129	-	138
Disposals	-	-	(27)	(27)
At 31 December 2015	726	2,755	-	3,481
Depreciation				
At 1 January 2014	255	1,771	10	2,036
Provided in the year	117	276	-	393
At 31 December 2014	372	2,047	10	2,429
At 1 January 2015	372	2,047	10	2,429
Provided in the year	166	285	(10)	441
At 31 December 2015	538	2,332	-	2,870
Net book value				
At 1 January 2014	203	649	17	869
At 31 December 2014	345	579	17	941
At 31 December 2015	188	422	-	611

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

9. Goodwill and intangible assets

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost			
At 1 January 2014	21,554	8,131	29,685
Additions from business combinations	21	-	21
Reductions from business combinations	(30)	-	(30)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	21,545	8,131	29,676
	<hr/>	<hr/>	<hr/>
Additions from business combinations	-	-	-
Reductions from business combinations	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2015	21,545	8,131	29,676
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2014	2,678	6,441	9,119
Provided in the year	-	345	345
	<hr/>	<hr/>	<hr/>
At 31 December 2014	2,678	6,786	9,464
	<hr/>	<hr/>	<hr/>
Provided in the year	-	345	345
	<hr/>	<hr/>	<hr/>
At 31 December 2015	2,678	7,131	9,809
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 January 2014	18,876	1,690	20,566
	<hr/>	<hr/>	<hr/>
At 31 December 2014	18,867	1,345	20,212
	<hr/>	<hr/>	<hr/>
At 31 December 2015	18,867	1,000	19,867
	<hr/>	<hr/>	<hr/>

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

	2015 £'000	2014 £'000
InterQuest Group (UK) Limited	5,053	5,053
PeopleCo Worldwide Limited	3,093	3,093
Sand Resources Limited	2,239	2,239
Intelect Recruitment plc	1,894	1,894
e-CRM People Limited	1,611	1,611
Korus Recruitment Group Limited	115	115
ECOM Recruitment Limited	4,862	4,862
	<hr/>	<hr/>
	18,867	18,867
	<hr/>	<hr/>

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

9. Goodwill and intangible assets (continued)

The trading businesses of PeopleCo Worldwide Limited, Sand Resources Limited and e-CRM People were transferred to InterQuest Group (UK) Limited on 4 January 2011 and the companies are now dormant. The value of the intangible is shown above as originating from these companies though the value of the business has been transferred and operates as a distinct CGU or number of CGUs within another operating subsidiary.

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

	Niche	ECOM	Enterprise	Public Sector	Business Change	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
InterQuest Group (UK) Limited	-	-	1,208	-	-	-	1,208
PeopleCo Worldwide Limited	969	-	438	-	-	-	1,407
Sand Resources Limited	-	-	-	1,449	-	-	1,449
Intellect Recruitment plc	975	-	-	-	108	-	1,083
e-CRM People Limited	514	-	-	-	-	-	514
Korus Recruitment Group Limited	-	-	-	-	-	108	108
ECOM Recruitment Limited	-	874	-	-	-	-	874
CGUs not acquired	1,302	-	-	251	599	(3,343)	(1,191)
	<u>3,760</u>	<u>874</u>	<u>1,646</u>	<u>1,700</u>	<u>707</u>	<u>(3,235)</u>	<u>5,452</u>

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 2015 are that the CGU's will trade in accordance with the 2016 budget, which has a higher financial result than that reported for 2015, followed by 5% growth in sales and 5% growth in costs (from 2016 levels) in subsequent years until 31 December 2020 across all CGU's based on management's experience of the IT recruitment market place and latest industry forecasts. The cash flows are based on a five year life plus a terminal value based on perpetual growth of 2.5% and a pre-tax discount rate of 14.38%.

The discount rate represents the Group's weighted average cost of capital, based on the risk-free rate with an additional premium added to reflect market risk and the size of the Group. This is consistent across all CGU's as management do not consider the risk differential to be significant as all CGU's are principally involved in recruitment activities in the UK. The Board believes that the growth rates used in the value-in-use calculations are appropriate. Current trading activity in 2016 and performance against budget supports the growth rates used in our calculations.

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

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

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

10. Trade and other receivables

	2015	2014
	£'000	£'000
Gross trade receivables	22,214	23,171
Provisions	(726)	(710)
Net trade receivables	21,488	22,461
Prepayments and accrued income	5,122	3,050
Other current assets	807	855
	<u>27,417</u>	<u>26,366</u>

Included within gross trade receivables is £7.2m (2014: £9.6m) in respect of invoice factored debts outstanding at the year end.

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

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

	2015	2014
	£'000	£'000
Not more than 30 days	9,892	12,412
More than 30 days but less than 60 days	9,109	7,716
More than 60 days but less than 90 days	1,824	2,396
More than 90 days	1,389	647
	<u>22,214</u>	<u>23,171</u>

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

	2015	2014
	£'000	£'000
Provision for receivables impairment at 1 January	710	745
Amounts released in the year	-	(37)
New provision in the year	16	2
Provision for receivables impairment at 31 December	<u>726</u>	<u>710</u>

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

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

10. Trade and other receivables (continued)

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.

Transfer of financial assets

During the year, the Group factored trade receivables with an aggregate carrying amount of £179m (2014: £169m) to a bank for cash proceeds of the same amount. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing within bank loans (see note 13).

At the end of the reporting period, the carrying amount of the short-term receivables that have been transferred but have not been derecognised amounted to £20m (2014: £22m), and the carrying amount of the associated liabilities is £20m (2014: £22m).

As at the end of the reporting period, the fair values of the receivables and of the related liabilities are as follows:

	2015 £m
Fair value of the transferred assets	20
Fair value of the associated liabilities	(20)
Net position	-

11. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash and cash equivalents	1,181	1,279

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

12. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	9,829	10,397
Other tax and social security	2,404	1,848
Other payables	40	28
Accruals and deferred income	4,425	2,406
Deferred consideration	-	443
	16,698	15,122

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

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

13. Financial liabilities - borrowings

	2015 £'000	2014 £'000
Less than one year		
Invoice discounting facility	7,180	9,612

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

14. Deferred income tax assets and liabilities

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

	Depreciation charged in excess / (arrears) of capital allowances £'000	Deferred tax on employee share options £'000	Other timing differences £'000	Intangible asset temporary difference £'000	Total £'000
Balance at 1 January 2014	26	319	3	(338)	10
Charged to Income Statement in 2014	(77)	110	10	69	112
Charged to Equity in 2014	-	27	-	-	27
Balance at 31 December 2014	(51)	456	13	(269)	149
Balance at 1 January 2015	(51)	456	13	(269)	149
Charged to Income Statement in 2015	22	(73)	(10)	(109)	(170)
Charged to Equity in 2015	-	(191)	-	-	(191)
Balance at 31 December 2015	(29)	192	3	(378)	(212)

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

14. Deferred income tax assets and liabilities (continued)

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

At the balance sheet date, the Group has unused tax losses of £0.4m (2014: £0.4m) available for offset against future profits. Deferred tax has not been recognised on these amounts as there is not a suitable taxable profit forecast against which they will be reversed. Of these amounts none have an expiry date.

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

	2015 £'000	2014 £'000
Asset at 1 January	149	10
(Charge)/credit to income statement (note 6)	(170)	112
(Charge)/credit to equity	(191)	27
	<hr/>	<hr/>
Asset at 31 December	(212)	149
	<hr/> <hr/>	<hr/> <hr/>

15. Employee benefits

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

	2015 £'000	2014 £'000
Defined contributions	144	132
	<hr/> <hr/>	<hr/> <hr/>

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

15. Employee benefits (continued)

Equity-settled share-based payments:

	Options	2015 Weighted average exercise price	Options	2014 Weighted average exercise price
Outstanding at beginning of the year	2,725,321	£0.18	2,814,533	£0.20
Granted during the year	5,000	£0.01	623,500	£0.01
Forfeited during the year	(264,500)		(407,712)	
Exercised during the year	(972,333)		(305,000)	
	<u>1,493,488</u>	£0.06	<u>2,725,321</u>	£0.18
Exercisable during the year	<u>2,730,321</u>	£0.15	<u>1,454,880</u>	£0.36
Exercisable at the year end	<u>2,730,321</u>	£0.12	<u>1,454,880</u>	£0.23
Weighted average remaining contractual life of options outstanding at the end of the year	<u>3.6 years</u>		<u>5.0 years</u>	

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

15. Employee benefits (continued)

The options outstanding at 31 December 2015 had an exercise price ranging from £0.01 to £1.17 (2014: £0.01 to £1.17). The estimated fair value of the options granted in the year was £4,377 (2013: £603,693). Fair value is the value of the options at the date of grant based on their exercise price. Expected volatility was calculated by using a suitable competitor's previous share price for the two years prior to the grant of the options. The weighted average share price during the year was £0.06 (2014: £0.13).

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

EMI scheme

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
15 June 2006	22,500	62p	15 June 2008	15 June 2016
24 May 2007	45,000	115p	24 May 2009	24 May 2017
12 July 2007	15,000	114p	12 July 2009	12 July 2017
22 October 2007	20,000	100p	22 October 2009	22 October 2017
16 October 2009	210,000	1p	16 October 2012	16 October 2019
28 June 2013	433,488	1p	1 January 2014	1 January 2024
28 June 2013	152,000	1p	5 January 2015	5 January 2025
12 March 2014	50,000	1p	1 January 2016	1 January 2026
12 March 2014	7,500	1p	1 April 2015	1 April 2025
12 March 2014	175,000	1p	16 April 2016	16 April 2026
12 March 2014	30,000	1p	30 April 2016	30 April 2026
12 March 2014	10,000	1p	31 January 2016	31 January 2026
12 March 2014	230,000	1p	31 January 2017	31 January 2027
14 May 2014	50,000	1p	31 January 2017	31 January 2027
2 June 2015	3,000	1p	30 September 2016	30 September 2026
	<u>1,453,488</u>			

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

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

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

15. Employee benefits (continued)

Unapproved scheme

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
1 November 2011	40,000	1p	1 November 2011	1 November 2021
	<u>40,000</u>			

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

	2015 £'000	2014 £'000
Weighted average share price	£0.89	£0.97
Weighted average exercise price	£0.01	£0.01
Expected volatility	31%	30%
Expected life	1 year	2 year
Risk free rate	0.4	0.5

Expected volatility was calculated by using suitable comparative historical share prices for the two years prior to the date of grant of the options. The share-based payment charge expense in respect of the EMI scheme for 2015 is £193K (2014: £689k).

During 2012, the Group implemented long-term incentive plans for certain directors of the Company. The fair value charge through the Income Statement in 2015 was £nil (2014: £163k).

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

16. Share capital

	2015 £'000	2014 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
As at 1 January 2015:		
34,359,432 ordinary shares of 1p each	344	
Issue of share capital	15	
	359	
As at 31 December 2014:		
34,359,432 ordinary shares of 1p each	344	
As at 31 December 2015:		
35,946,765 ordinary shares of 1p each	359	

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

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

	Directors	Employees	Total
Issues:			
Issued on 9 January 2015	673,333	150,000	823,333
Issued on 8 March 2015	280,000	-	280,000
Issued on 27 April 2015	-	270,500	270,500
Issued on 12 June 2015	-	35,000	35,000
Issued on 6 October 2015	-	178,500	178,500
	953,333	634,000	1,587,333

The Group's objectives when managing capital are:

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

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

	2015 £'000	2014 £'000
Total debt	7,180	9,612
Less: Cash and cash equivalents	(1,181)	(1,279)
Net debt	5,999	8,333

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

17. Operating leases

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

	Land and buildings	
	2015 £'000	2014 £'000
Less than one year	280	373
Between one and five years	476	756
Total	<u>756</u>	<u>1,129</u>

18. Acquisition of non-controlling interest in InterQuest Telecom Limited

On 4 March 2015 the Group purchased the remaining 39.92% shareholdings in IQ Telecom Limited (formerly Fulcrum Telecom Limited) from minority shareholders for a consideration of £1.32m. This consideration was satisfied in cash.

The Group transferred 2.42% of IQ Telecom Limited at nominal value to minority shareholders just prior to purchasing the 39.92% shareholding.

19. Acquisition of share capital in Korus Group Limited

At 1 January 2015 the Group held 100,201 of the total 200,001 share capital of Korus Recruitment Group Limited, a subsidiary of the Group, and parent company of the following entities; Korus IT Recruitment (South) Limited; Korus IT Recruitment (NW) Limited; Korus IT Recruitment (London) Limited.

On 28 April the Group acquired the total non-controlling interest in Korus Recruitment Group Limited, amounting to 99,800 shares, for total consideration of £0.24m in cash with the associated value of the non-controlling interest in the Group balance sheet at the date of transaction of £0.1m deficit.

On 31 December 2015 Korus Recruitment Group Limited acquired the remaining 20% of shares in Korus IT Recruitment (South) Limited owned by the minority interest wholly through the issue of 50,000 A ordinary shares in Korus Recruitment Group Limited. In addition, the minority shareholders of Korus Recruitment Group Limited subscribed to 13,748 shares in Korus Recruitment Group Limited for £25,000.

Subsequent to this acquisition the Group now owns 75% of the share capital of Korus IT Recruitment Group Limited which in turn owns 100% of the share capital of Korus IT Recruitment (NW) Limited, Korus IT Recruitment (London) Limited, and Korus IT Recruitment (South) Limited.

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

20. Related party transactions

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

Related party	Nature of business	2015 £'000	2014 £'000	Directors involved
Shillingridge Limited	Business expenses	14,809	20,621	G P Ashworth
Clare Ashworth	Employment remuneration	6,000	6,000	G P Ashworth
Lyn Braund	Media Services	5,400	37,638	M A Braund
Explosive Titles	Digital Media Services	30,358	31,680	P M L Frew
Deirdre O'Shaughnessy	Employment remuneration	14,982	13,714	M R S Joyce

No amounts were outstanding at 31 December 2015 or 31 December 2014.

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

2015

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

2014

Dividends declared	Date paid	Gary Ashworth £	Mark Braund £	Michael Joyce £	Paul Frew £
2.0 pence per share	17 April 2014	250,198	9,702	3,417	1,445
0.5 pence per share	17 October 2014	62,550	2,426	854	361
		<u>312,748</u>	<u>12,128</u>	<u>4,271</u>	<u>1,806</u>

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

21. Related party transactions (continued)

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

	Korus Recruitment Group £
Central recharges	54,000
	<u>54,000</u>

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

Korus Recruitment Group £
2,081,080
<u>2,081,080</u>

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

Korus Recruitment Group £
220,124
<u>220,124</u>

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.

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

	2015 £'000	2014 £'000
Salaries and other short-term employee benefits	2,279	1,805
Share-based payments	(68)	450
	<u>2,211</u>	<u>2,255</u>

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

22. Events after the balance sheet date

The Company had no material post balance sheet events.

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

23. Financial risk management

Interest rate sensitivity

At 31 December 2015, the Group is exposed to changes in market interest rates through its invoice factoring facilities, which are subject to variable interest rates of 1.65% over the Bank of England base rate. The Group does not hedge the exposure to variations in interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +3% and -0.5% (2014: +3% and -0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Net result for the year	(620)	103	(573)	96
Equity	(620)	103	(573)	96

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 the Group, and incorporate 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. The Group's policy is to deal only with creditworthy counterparties.

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

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

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

Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring scheduled deferred consideration payments as well as cash outflows due in day-to-day business. 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 trade receivables financing facilities.

Foreign exchange risk analysis

The main functional currency of the Group is British Pounds but the Group does have bank accounts and transacts in Euros, US, Canadian, Singapore and Australian dollars, Swedish Krona, Swiss Francs and Polish Zloty. The Group does not have material transactional exposures in these other currencies.

There are no material net foreign exchange exposures to monetary assets and monetary liabilities.

The Group has translation exposure in accounting for overseas operations but because they are not significant the Group does not have a policy to hedge against this exposure.

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

23. Financial risk management (continued)

Analysis of the Group's contractual maturities of liabilities is set out in note 13.

	2015 £'000	2014 £'000
Loans and receivables	27,791	26,461
Total financial assets	27,791	26,461
	2015 £'000	2014 £'000
Current assets		
Trade receivables	21,488	22,461
Accrued income	5,122	2,721
Cash and cash equivalents	1,181	1,279
	27,791	26,461
	2015 £'000	2014 £'000
Financial liabilities measured at amortised cost	21,759	23,833
	2015 £'000	2014 £'000
Current liabilities		
Borrowings	7,180	9,612
Trade payables	9,829	10,397
Other payables	2,444	1,418
Accruals	4,425	2,406
	23,878	23,833

24. Dividends paid

	2015 £'000	2014 £'000
Dividends paid during the year of 3.0 pence per share (2014: 2.5 pence per share)	1,089	861

The directors proposed a second interim dividend of 2.0 pence per share to be paid on 13 May 2016 (2014: 2.0 pence per share). This has not been included as a liability in these financial statements.

Dividends declared before the financial statements were authorised for issue but not recognised as a distribution to owners in 2015 amount to £0.72m (2014: £0.69m)

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

25. Non-controlling interests

	£'000
Balance at 1 January 2014	(17)
Share of profit for the year	314
Payment of dividends	(9)
	<hr/>
Balance at 31 December 2014	288
Share of profit for the year	65
Elimination of reserves on acquisition of IQ Telecom NCI	(307)
Elimination of reserves on acquisition of Korus Group NCI	4
	<hr/>
Balance at 31 December 2015	<u>50</u>

The Group holds 75% of the nominal value of the share capital of Korus Recruitment Group Limited. The above non-controlling interest represents the portion of retained earnings not held by the Group at the year end.

InterQuest Group plc

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

We have audited the parent company financial statements of InterQuest Group plc for the year ended 31 December 2015 which comprise the Parent Company Balance Sheet, the Parent Statement of Changes in Equity and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors and the Strategic 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.

InterQuest Group plc

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

Other matter

We have reported separately on the group financial statements of InterQuest Group Plc for the year ended 31 December 2015.

John Charlton

(Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

8 March 2016

InterQuest Group plc

Principal accounting policies Year ended 31 December 2015

Basis of preparation

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

InterQuest Group plc is a company incorporated and domiciled in the UK.

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

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1: Cash Flow Statements. The Company is exempt under the terms of FRS 8: Related Party Disclosures, from disclosing related party transactions with wholly owned subsidiaries of InterQuest plc.

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

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

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

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

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. This transition is not considered to have had a material effect on the financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Principal Accounting Policies to the consolidated financial statements on page 21 except as noted below.

Investments

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

InterQuest Group plc

Parent company balance sheet As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Investments	1	31,811	30,281
		<u>31,811</u>	<u>30,281</u>
Current assets			
Receivables	2	7,976	9,332
Cash at bank and in hand	3	2	1
Total Assets		<u>7,978</u>	<u>9,333</u>
Current liabilities			
Payables: amounts falling due within one year	4	(26,901)	(26,710)
Net current liabilities		<u>(18,923)</u>	<u>(17,377)</u>
Net assets		<u>12,888</u>	<u>12,904</u>
		<u>12,888</u>	<u>12,904</u>
Equity			
Called up share capital	5	359	344
Share premium account	6	10,632	10,468
Capital redemption reserve	6	12	12
Profit and loss account	6	1,523	1,694
Share-based payment reserve	6	1,028	1,052
Share buyback reserve	6	(666)	(666)
		<u>12,888</u>	<u>12,904</u>
		<u>12,888</u>	<u>12,904</u>

InterQuest Group plc

Parent statement of changes in equity

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Share-based payment reserve £'000	Share buy back reserve £'000	Total equity £'000
Balance at 1 January 2014	340	10,364	12	77	700	(666)	10,827
Comprehensive income							
Loss for the year	-	-	-	(550)	-	-	(550)
Total comprehensive loss for the year	-	-	-	(550)	-	-	(550)
Transactions with owners							
Movement in share-based payment reserve	-	-	-	-	352	-	352
Issue of share capital	4	104	-	-	-	-	108
Dividends received	-	-	-	3,019	-	-	3,019
Dividends relating to 2014	-	-	-	(852)	-	-	(852)
Total contributions by and distributions to owners	4	104	-	2,167	352	-	2,627
Balance at 31 December 2014	344	10,468	12	1,694	1,052	(666)	12,904
Comprehensive loss							
Profit for the year	-	-	-	(1,182)	-	-	(1,182)
Total comprehensive loss for the year	-	-	-	(1,182)	-	-	(1,182)
Transactions with owners							
Movement in share-based payment reserve	-	-	-	-	(24)	-	(24)
Issue of share capital	15	164	-	-	-	-	179
Dividends received	-	-	-	2,100	-	-	2,100
Dividends relating to 2015	-	-	-	(1,089)	-	-	(1,089)
Total contributions by and distributions to owners	15	164	-	1,011	(24)	-	1,166
Balance at 31 December 2015	359	10,632	12	1,523	1,028	(666)	12,888

Share-based payment reserves represents equity-settled share based employee remuneration until such share options are exercised. Share buyback reserve represents shares which were purchased and subsequently cancelled.

These parent company financial statements were approved by the board on 8 March 2016 and were signed on its behalf by:

David C Bygrave
Finance Director

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

Company registration number: 04298109

Notes to the parent company financial statements for the year ended 31 December 2015 (continued)

1. Investments

	Total £'000
Net book value	
As at 1 January 2015	30,281
Acquisitions in 2015	1,560
Refund of consideration	(30)
	<hr/>
Net Book Value as at 31 December 2015	<u>31,811</u>

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

Name of subsidiary undertaking	Country of incorporation	Holding	Nature of business
InterQuest Group (UK) Limited	UK	Ordinary shares	IT recruitment
Contract Connections Limited	UK	Ordinary shares	Non trading
Contract Connections B.V.	Netherlands	Ordinary shares	Non trading
InterQuest Asia Pte	Singapore	Ordinary shares	IT recruitment
InterQuest Group Inc	USA	Ordinary shares	Non trading
e-CRM People Limited	UK	Ordinary shares	Non trading
PeopleCo Worldwide Limited	UK	Ordinary shares	Non trading
Sand Resources Limited	UK	Ordinary shares	Non trading
Mint Recruitment Solutions Limited	UK	Ordinary shares	IT recruitment
Genesis Computer Resources Limited	UK	Ordinary shares	Non trading
InterQuest Financial Markets Limited	UK	Ordinary shares	Non trading
InterQuest (UK) Limited	UK	Ordinary shares	Non trading
Sand Limited	UK	Ordinary shares	Non-trading
Goldcrest Payroll Solutions Limited	UK	Ordinary shares	Non-trading
ECOM Recruitment Limited	UK	Ordinary shares	IT recruitment
IQ Telecom Limited	UK	Ordinary shares	IT recruitment

The Company also holds 75% of the nominal value of the share capital of Korus Recruitment Group Limited (06759653), a company incorporated in the UK. Korus Recruitment Group Limited owns 100% of the share capital of Korus Recruitment (South) Limited, Korus IT Recruitment (NW) Limited and Korus IT Recruitment (London) Limited which are all incorporated in the UK.

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

The following companies are taking an exemption from an audit of the financial statements as per S479A of the Companies Act; InterQuest Group (UK) Limited (03990043), Korus Recruitment Group Limited (06759509), Korus IT Recruitment (South) Limited (06759653), Korus IT Recruitment (NW) Limited (06759618), Korus IT Recruitment (London) Limited (06920731), IQ Telecom Limited (07153224), ECOM Recruitment Limited (03884327).

InterQuest Group plc

Notes to the parent company financial statements for the year ended 31 December 2015 (continued)

1. Investments (continued)

The following companies are taking an exemption from preparing and filing financial statements as per S394 and 448A of the Companies Act; e-CRM People Limited (03929076), PeopleCo Worldwide Limited (03540529), Sand Resources Limited (03709982), Genesis Computer Resources Limited (03000342), InterQuest (UK) Limited (03052229), InterQuest Financial Markets Limited (04381183), Sand Limited (04017052), Goldcrest Payroll Solutions Limited (07111397).

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

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

2. Receivables

	2015 £'000	2014 £'000
Amounts owed by Group undertakings	7,976	9,332
	<u>7,976</u>	<u>9,332</u>

3. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash at bank	2	1
	<u>2</u>	<u>1</u>

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

	2015 £'000	2014 £'000
Trade payables	-	24
Amounts owed to Group undertakings	26,901	26,643
Other payables	-	43
	<u>26,901</u>	<u>26,710</u>

InterQuest Group plc

Notes to the parent company financial statements for the year ended 31 December 2015 (continued)

5. Share capital

	2015 £'000	2014 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
	<u>800</u>	<u>800</u>
Allotted, called up and fully paid:		
As at 1 January 2015:		
34,359,432 ordinary shares of 1p each	344	
Issue of share capital	15	
	<u>359</u>	
	<u>359</u>	
As at 31 December 2014:		
34,359,432 ordinary shares of 1p each	344	
	<u>344</u>	
As at 31 December 2015:		
35,946,765 ordinary shares of 1p each	359	
	<u>359</u>	

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

6. Capital commitments

The company had no capital commitments at 31 December 2015 or 31 December 2014.

7. Contingent liabilities

There were no contingent liabilities at 31 December 2015 or 31 December 2014.

8. Operating leases

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

	Land and buildings 2015 £'000	2014 £'000
Less than one year	96	96
Between one and five years	149	245
	<u>245</u>	<u>341</u>

InterQuest Group plc

Notes to the parent company financial statements for the year ended 31 December 2015 (continued)

9. Transactions with directors and other related companies

Related party	Nature of business	2015 £'000	2014 £'000	Directors involved
Shillingridge Limited	Business expenses	14,809	20,621	G P Ashworth
Clare Ashworth	Employment remuneration	6,000	6,000	G P Ashworth
Lyn Braund	Photography	5,400	37,638	M A Braund
Explosive Titles	Website Development	30,358	31,680	P M L Frew
Deirdre O'Shaughnessy	Employment remuneration	14,982	13,714	M R S Joyce

Details of dividends paid during the year to Directors are shown in note 20 to the consolidated financial statements.

The Group has taken advantage of the exemptions contained within IAS 24 - Related Party Disclosures from the requirement to disclose transactions between Group companies as those have been eliminated on consolidation.

Transactions between the Parent and subsidiaries not 100% owned during the year are set out in note 20 to the consolidated financial statements.

10. Post balance sheet events

The company had no material post balance sheet events.

11. Profit attributable to the Company and cash flow statement

The Company has elected not to present its own profit and loss account or cash flow statement as permitted by Section 408 of the Companies Act 2006. InterQuest Group plc reported a loss for the year of £1,176,332 (2014: £2,459,778).

Details of the proposed final dividend are provided in note 24 to the consolidated accounts. Details of share-based payments are disclosed in note 15 to the consolidated accounts.