INTERQUEST GROUP

InterQuest Group plc

Annual Report
& Financial Statements

31 December 2014

Company Registration No.
04298109

InterQuest Group plc

Annual report and financial statements 2014

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Officers and professional advisers

Directors

G P Ashworth
M A Braund
P M L Frew
M R S Joyce

Secretary

M R S Joyce

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Bankers

The Royal Bank of Scotland
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Solicitors

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Auditor

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InterQuest Group plc

Highlights

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

Financial highlights

- Adjusted EBITA* up 96% to £4.9m (2013: £2.5m)
- Adjusted PBT* up 96% to £4.5m (2013: £2.3m)
- Statutory profit after tax up 130% to £2.3m (2013:£1.0m)
- Net fee income (NFI) up 33% to £23.2m (2013: £17.4m)
- Revenue up 31% to £150.7m (2013: £114.9m)
- Diluted adjusted earnings per share up 84% to 9.0 pence (2013: 4.9 pence)
- Net cash generated from operating activities £5.4m (2013: £1.3m)
- Net debt at year end of £8.3m (2013: £9.0m)
- Second interim dividend of 2 pence per share**

Improved margins & ratios

- Gross margin % improved by 30-bps from 15.1% to 15.4%
- Net operating margin (adjusted EBITA/NFI) improved by 670-bps from 14.4% to 21.1%
- Continued improvement in contract recruitment gross margins (up 10 basis points to 12.6%)

Operational highlights

- ECOM (acquired in 2013) performed ahead of expectations following successful integration
- Organic growth and improved profitability across the Group as the results of the strategy implemented at the beginning of 2013 continue to be seen
- Launched IQ InfoSec to provide specialist recruitment services to this fast growing market
- Permanent recruitment fees up 35% at £7.3m (2013: £5.4m); contract recruitment fees up 33% at £16.0m (2013: £12.0m)
- 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

Mark Braund, CEO of InterQuest said:

"We are delighted with the results and progress made during 2014, which clearly demonstrate the benefits of our decision to focus on specialist recruitment services that provide some of the market's most in-demand skill sets.

"ECOM, the UK's leading digital technology recruitment company, which we acquired in November 2013, has made an outstanding contribution to InterQuest and our programme of cross-selling digital skills to the Group's existing customer base has enhanced its contribution.

"InterQuest is now strategically placed to be a market leader in permanent and contract recruitment across specialist areas that are growing fast and will keep growing. These include information security, data analytics, telecommunications, change management and digital skills. In each of these areas we operate as a distinct niche recruitment practice, all of which are fully integrated under the IQ brand and operate to the same high standards.

"InterQuest is seen as an efficient, reliable and sometimes only source of talent for organisations that rely on analytics and digital technologies and our strategy of focusing on these specialist disciplines underpins our success, which we believe will deliver further growth during 2015.

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Highlights

"Above all, our results, market position and success are made possible by the tremendous people that make up the InterQuest Group; to them, on behalf of the Board we say a heartfelt 'thank you'".

<u>Notes</u>

*Adjusted for share-based payment charge, amortisation, exceptional items and one-off profit on sale of PayQuest Group Limited in 2013. 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 15 May 2015 to shareholders on the register on 17 April 2015. The ex-dividend date is 16 April 2015. This brings the total dividend for the year to 2.5 pence per share (2013: 2.5 pence per share).

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Strategic Report

The InterQuest business model

The InterQuest Group is a specialist recruitment business. The Group works across permanent and contract recruitment in markets that are growing fast and will keep growing, including information security, data analytics, telecommunications, change management and digital skills. In each of these areas the Group operates as a distinct niche recruitment practice, integrated under the strong IQ brand.

The strategy is to provide an efficient and reliable source of talent to organisations that rely on analytics and digital technologies in the new digital economy. We develop networks of candidates in high-demand, high-growth markets – this is a valuable asset as there is a clear shortage of skilled staff in the areas in which InterQuest works and companies trust and rely on the Group to help them fill important roles. As a result, the Group's interests are aligned with customers where quality and speed of access are much more valued than quantity. InterQuest is therefore operating in recruitment markets where our services derive higher than industry average margins.

The acquisition by the Group of ECOM Recruitment Limited (ECOM), the UK's leading digital technology recruitment company, in 2013 has helped accelerate penetration of this rapidly expanding market.

Review of the business in 2014

The Group has delivered an excellent set of financial results in 2014 building on the foundations put in place over the last three years. ECOM has made an outstanding contribution and enhanced the opportunity for cross-selling throughout the Group.

Greater efficiency and improved profitability

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

- Adjusted EBITA* increased by 96% to £4.9m (2013: £2.5m)
- Adjusted PBT* increased by 96% to £4.5m (2013: £2.3m)
- Net operating margin (adjusted EBITA/NFI) improved from 14.4% to 21.1%
- Statutory profit before tax increased from £1.4m in 2013 to £2.9m in 2014

**Adjusted for share-based payment charge, exceptional items and one off profit on sale of PayQuest Group Limited in 2013.*

Operational mix remains weighted towards contract recruitment

InterQuest has seen strong performance in both the contract and permanent recruitment businesses in 2014. As a result, the operational mix between the two activities has remained fairly constant at one third permanent recruitment, two thirds contract recruitment. This is a robust and resilient business mix.

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:

- the average margin derived from contract recruitment activities (excluding payroll services) has increased to 12.6% in 2014 from 12.5% in 2013 and 11.5% in 2012;

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Strategic Report (continued)

- the percentage contract NFI derived from what we term "professional" roles (those with a gross margin greater than 12%) has increased from 59% in 2013 to 64% in 2014.

Our markets

The labour market is experiencing a disruptive shift from process driven tasks to technical and creative specialisms. The focus of InterQuest benefits from this shift and the growth of the markets that we operate in is evidenced by the fact that:

- Demand for Data Scientists in the UK has increased by over 1,000% in the last 2 years;
- Employment growth in relation to the 'Internet of Things' (IoT) is expected to be 30% per year;
- Analysis from Gartner shows that two thirds of firms are either already investing in big data or will shortly start investing;
- As banks look to offer digital solutions to compete with the likes of PayPal, Google and peer-to-peer lenders, there is increasing demand for specialist talent across the telecommunications, digital and information security sectors;
- Demand for marketing talent will increase the focus on technical skills in web analytics and specialists in specific software & dashboard solutions.

An improving customer experience

- We continue to reshape the organisation to ensure each part adds value to candidates and customers. Stronger account management and expert delivery teams have ensured that InterQuest provides recruitment services with greater efficiency and effectiveness, coupled with enhanced customer retention and profitability.
- The unified branding of the IQ family of specialist businesses is gaining recognition in the market as a trusted source of specialist knowledge for both candidates and customers.
- Increased and improved training programmes for staff at all levels of the organisation continues to underpin our ethos of striving to offer the best experience possible to customers, candidates and InterQuest colleagues.

Prospects and outlook

During 2014, the board undertook a strategic review of the Group's options to maximise value for shareholders. Whilst constructive discussions with interested parties were held, the board did not believe that a sale would achieve maximum value for shareholders. The results for 2014 reflect the strength of the business and its position in the market provides the Group with significant further growth opportunities. The Board's confidence in the Group's prospects is reflected in the start to the current year. Early trading in 2015 has been in line with management's expectations and the benefits of a bigger contractor book are being seen. Whilst the Board is mindful of the economic backdrop, it continues to believe that the Group has a great platform to deliver continued growth.

Our business model places InterQuest firmly at the heart of specialist recruitment in the UK. The Group is well positioned to continue to capitalise on improving market conditions and our focus on developing networks of talented candidates in competitive areas means we provide an increasingly attractive proposition for organisations looking to recruit their 'most difficult to fill' vacancies.

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Strategic Report (continued)

The way InterQuest operates

Firms seeking to fill a specialist role rarely find that their ideal candidate is out of work; rather, the person they wish to hire is often an experienced professional who may not even be looking for a new job, (referred to as a passive candidate). Recruiting these professionals requires us to develop a relationship built on trust and knowledge; trust that we work in their best interests and knowledge of the workplace challenges they want and the employers who are best likely to provide them.

InterQuest undertakes significant research to ensure we that know who the right people are in our markets, both candidates and employers. This is a continuous and long-term investment. It is this continued focus on developing access to talent in specialist markets that drives growth and improvements in profitability.

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

Contract recruitment

Contract recruitment is divided into 'specialist' and 'generic' markets. InterQuest's strategy is to focus on specialist markets, which gives us greater resilience and quality of earnings. Furthermore, this focus has allowed the Group to change the mix of the contract business and supported the continuous improvement in margins.

The 'generic' market is a shrinking part of the InterQuest business – it is maturing rapidly and experiencing margin erosion as large service providers compete more often than not on price – but we retain an interest in it through an efficient and effective recruitment centre model. This centre is UK-based and manned by professional and skilled recruiters who are able to connect employers with candidates across a broader range of skills than can be covered by the specialist businesses. As market conditions improve, demand for high quality candidates across a number of more generic roles will increase and our focus on providing customers with a trusted source of quality talent across a broad range of technical, analytical and change management requirements will continue to benefit the Group.

Permanent recruitment

The permanent recruitment market is becoming more refined as employers seek to leverage low cost sourcing models, including further development of their own direct sourcing capability. As a result, the recruitment industry's share of this market is under pressure; however, InterQuest's strategy of specialism and developing unique networks of passive candidates places the Group in a position of strength. We target critical roles that are difficult to fill and thereby have strengthened the value proposition in this market.

The increasing importance of Social Media

One of the ways in which InterQuest operates differently from other recruitment firms is through extensive use of social and digital media. This is an important communication method used by those working in the new digital economy. It has changed the way the Group interacts with candidates, accelerating InterQuest's ability to reach and connect with the right talent. We not only connect, we invest in content to participate and drive thought-leadership within each segment. This investment has significantly improved IQ brand recognition, increased awareness of the value the Group brings to market and thereby makes it easier to engage with influential candidates and employers.

As a result InterQuest has seen sustained, rapid growth in website traffic, reach and exposure with average monthly traffic (unique visitors to the website) increasing from 3,360 in 2013 to 7,060 in 2014 and to 17,000 at the start of 2015.

Alongside the main InterQuest website we find Twitter and LinkedIn to be the most effective social media platforms and currently:

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Strategic Report (continued)

- InterQuest Group, the CEO Mark Braund and each of the specialist recruitment practices operate Twitter accounts have c.8,000 followers, growing 38% in the last three months
- The InterQuest Group Twitter account ranks in the top 10% of all Twitter accounts in terms of density of senior managers
- The Group's LinkedIn page has almost 20,000 followers, growing 15% in the last three months

Overall, InterQuest Group has a Klout* social influence score of 55, up from 42 at the beginning of 2014, placing us as one of the top social media users in the UK recruitment industry.

(* **Klout** uses social media analytics to rank its users according to online social influence via the "Klout Score", which is a numerical value between 1 and 100. In determining the user score, Klout measures the size of a user's social media network and correlates the content created to measure how other users interact with that content).

Future objectives

As our strategy continues to gain momentum we see new markets emerging into which investment will maintain growth and further improve margins. As the Group develops, there is an increased opportunity for our customers to make use of each of the specialist recruitment practices through a single account management structure. InterQuest is already delivering material improvement in customer retention and cross-selling performance, which in turn increases average customer spend and share of wallet.

The Group recognises that today's niche skill sets will ultimately become commoditised as more people respond to demand, develop these skills and enter the job market. To address this we have put in place a business model that enables us to move the servicing of specific skill sets though the various stages of demand to what becomes, in relative terms, a low-cost operating model, thereby ensuring InterQuest gains benefit from the talent network on a sustainable long-term basis.

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 2014 £'000	31 December 2013 £'000
Financial KPI's:		
Revenue	150,647	114,859
Net Fee Income	23,249	17,390
Gross profit percentage	15.4%	15.1%
Gross profit percentage – contract recruitment (excluding payroll services)	12.6%	12.5%
EBITA* before non-recurring items	4,060	2,186
EBITA* before non-recurring items and IFRS 2 charges	4,912	2,501
Net cash from operating activities	5,407	1,316
Net debt	8,333	9,002
Non-financial KPI's:		
Recruitment staff (average number during the year)	225	178
Administration staff (average number during the year)	48	40

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

Net fee income increased by £5.8m, or 33.3%, to £23.2m (2013: £17.4m).

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Strategic Report (continued)

Net fee income (gross margin) percentage increased from 15.1% to 15.4% reflecting continued gains in contractor recruitment % margin as a result of the strategy of focusing on specialist and difficult to fill roles which command higher margins.

The split of NFI between contract and permanent recruitment activities remained at around 69:31 in favour of contract (see note 1).

Contract recruitment gross margin % improved 10 basis points to 12.6% from 12.5% in 2013 and from 11.5% in 2012 (stripping out PayQuest umbrella service transactions and 'payroll' deals that we process at low margin because we are providing no recruitment services).

EBITA before non-recurring items and IFRS 2 share charge (reconciliation provided in note 1) increased by 96% to £4.9m (2013: £2.5m).

Net finance costs were £0.41m (2013: £0.25m).

Profit before tax increased to £2.9m (2013: £1.4m).

Tax on profits was £0.7m before non-recurring items (2013: £0.5m); a detailed analysis is included at note 6.

Non-recurring items

The following table summarises non-recurring items in the 2014 financial statements:

	2014 £'000	2013 £'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	(50)	(103)
Restructuring costs	-	(225)
Tax on restructuring costs	-	62
Restructure and downsize of Singapore operations	-	(396)
Tax on Singapore restructure costs	-	5
Profit from sale of PayQuest Group Limited	-	249
	(329)	(408)

Non-recurring items

In 2014 the Group incurred non-recurring costs in four areas:

i) £132k with respect to the integration of newly acquired ECOM's back office systems and staff;

ii) £127k with respect to the relocation of the Group's finance function from London to Berkhamsted including the cost of temporary workers and retention bonuses for key staff;

iii) £99k of fees and expenses associated with the formal sale process in the second half of 2014; and

iv) £50k of costs and fees related to the acquisition of ECOM Recruitment Limited in November 2013.

See note 3 for further details.

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Strategic Report (continued)

Earnings per share and dividend

Basic earnings per share were 5.9 pence (2013: 2.9 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 9.6 pence representing an increase of 88% from 5.1 pence in 2013. See note 5 for details of the calculation.

We are declaring an interim dividend of 2.0 pence in line with The Group's dividend policy and this will be paid on 15 May 2015 to shareholders on the register on 17 April 2015. The ex-dividend date is 16 April 2015.

Balance sheet, cash flow and financing

The Group's net assets increased by £2.39m to £22.77m at 31 December 2014 (2013: £20.38m).

Strong growth in operating profit before non-recurring items and tight control of working capital delivered £5.4m of operating cash flow (2013: £1.3m). The Group paid £0.41m (2013: £0.25m) of interest during the year. Net capital expenditure was £0.47m (2013: £0.32m) and dividends of £0.86m (2013: £0.85m) were paid.

Net debt decreased from £9.0m at the start of the year to £8.3m at the end of 2014 (2013: increased from £4.4m at the start of the year to £9.0m at the end of the year). The Group continues to finance its activities through the utilisation of a confidential trade receivables finance facility. The 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 excellent trading results in 2014 and this trend has continued into 2015. 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 2015 financial budget and reviewed cash flow projections to the end of March 2016 including investment and capital expenditure outflows. The Group is currently financed by way of a £20 million confidential trade receivables finance facility renewable on a rolling basis with six months notice. As a result of this growth the Group is forecasting increased working capital requirements towards the later part of 2015 which could require an increase in this finance facility. The Group has held discussions with its bankers about its future borrowing needs and is at an early stage of negotiations with the bank for an increase in the finance facility. At this stage the Group has not received a written commitment that the facility will be increased as the requirement is still being discussed and falls in the latter part of the year. No matters have been drawn to the Group's attention to suggest that extension may not be forthcoming on acceptable terms. 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.

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Strategic Report (continued)

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 more junior levels. 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.

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 directors' 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 company'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

Michael R S Joyce

Chief Financial Officer

InterQuest Group PLC

InterQuest Group plc

Report of the directors

Results and dividends

The Group's profit for the year amounted to £2.3m (2013: £1m). The directors propose to pay a second interim dividend of 2.0 pence per share on 15th May 2015 (2013: 2.0 pence per share).

Post balance sheet events

There are no material post balance sheet events to report.

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 2014 and 31 December 2014 were as follows:

	Ordinary shares of 1p each	
	31 December 2014 £'000	31 December 2013 £'000
G P Ashworth	12,512,032	12,759,912
M A Braund	465,603	487,103
M R S Joyce	170,830	185,830
P M L Frew	72,583	72,258

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

The Company's share price has ranged from a low of 88.80 pence to a high of 130.50 pence during the year with a closing price of 105.50 pence at 31 December 2014.

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 2014, 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
G P Ashworth	12,512,032	36.4%
Helium Special Situations Fund	4,534,376	13.2%
Living Bridge	2,250,789	6.6%
Jim Mellon	1,728,181	5.0%
AXA Framlington Investment Managers	1,093,500	3.2%
Martyn Barrow	1,000,000	2.9%
Henderson Global Investors	978,793	2.8%

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.

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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.

Payment policy and practice

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

At the year end the Group had an average of 30 days (2013: 23 days) purchases outstanding in trade creditors.

Charitable donations

During the year the Group made a total of £7,451 (2013: £10,515) donations to charity.

Financial risk management and policies

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

Auditor

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.

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Report of the directors (continued)

Directors' responsibilities

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). 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

Michael R S Joyce
Secretary

9 March 2015

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.

Chief Executive Officer

Mark Braund 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 2014, 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 2014 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 23. 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 2014 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report 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:

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

Other matters

We have reported separately on the parent company financial statements of InterQuest Group plc for the year ended 31 December 2014.

John Charlton (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
9 March 2015

InterQuest Group plc

Principal accounting policies

Nature of operations and general information

The InterQuest Group is a group of specialist 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 9. 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;

IFRS 11: Joint Arrangements;

IAS2B (revised): Investments in Associates and Joint Ventures; and

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;

IAS 27(revised): Investment Entities;

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

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

IFRIC Interpretation 21: Levies.

The Group does not consider that these Standards or Interpretations will have a significant impact on the financial statements of the Group when they come into effect.

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 2014. 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 Payment; 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 recognised, but not yet invoiced, at the reporting date, is correspondingly accrued on the balance sheet within “trade and other receivables”.

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

InterQuest Group plc

Principal accounting policies (continued)

Where management consider appropriate, provision is made for the expected cost of meeting contractual obligations where employees do not work for the specified contractual period. 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. In situations where the Group acts as the principal in a transaction and bears the risks and rewards of the transaction, the revenue and associated costs are recorded gross in the Consolidated Statement of Comprehensive Income. Where the Group acts as an agent in a transaction, only the fees associated to the services provided by the Group in the capacity of an agent are recognised as income. Where the de-recognition criteria of IAS 39 are met, any assets related to the transaction is reported net.

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

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

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

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 2006 are recognised in the financial statements.

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

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.

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 equity-settled share-based payments under IFRS 2.

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.

Provisions, contingent liabilities and contingent assets

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

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 foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting); and
- 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

Material and 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. 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.

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

InterQuest Group plc

Consolidated statement of comprehensive income
For the year ended 31 December 2014

	Notes	Before non-recurring items £'000	Non-recurring items £'000	2014 £ £'000	Before non-recurring items £'000	Non-recurring items £'000	2013 £ £'000
Group revenue	1	150,647	-	150,647	114,859	-	114,859
Cost of sales		(127,398)	-	(127,398)	(97,469)	-	(97,469)
Gross profit	1	23,249	-	23,249	17,390	-	17,390
Amortisation	2	(345)	-	(345)	(33)	-	(33)
Other administrative expenses	2,3	(19,189)	(358)	(19,547)	(15,204)	(621)	(15,825)
Total administrative expenses	2,3	(19,534)	(358)	(19,892)	(15,237)	(621)	(15,858)
Group operating profit/(loss)	2,3	3,715	(358)	3,357	2,153	(621)	1,532
Profit from sale of subsidiary		-	-	-	-	249	249
Acquisition costs	3	-	(50)	(50)	-	(103)	(103)
Finance costs	5	(411)	-	(411)	(249)	-	(249)
Profit/(loss) before taxation		3,304	(408)	2,896	1,904	(475)	1,429
Income tax (expense) / credit	6	(659)	79	(580)	(490)	67	(423)
Profit/(loss) for the year		2,645	(329)	2,316	1,414	(408)	1,006

InterQuest Group plc

Statement of Total Recognised Gains and Losses
Year ended 31 December 2014

	Notes	Before non-recurring items £'000	Non-recurring items £'000	2014 £'000	Before non-recurring items £'000	Non-recurring items £'000	2013 £'000
Profit/(loss) and total comprehensive income attributable to:							
- Owners of the parent		2,331	(329)	2,002	1,380	(408)	972
- Non controlling interests	23	314	-	314	34	-	34
Total comprehensive income/ (expense) for the year		2,645	(329)	2,316	1,414	(408)	1,006

Profit per share from both total and continuing operations:

	Notes	2014 Pence	2013 Pence
Basic earnings per share	7	5.9	2.9
Diluted earnings per share	7	5.5	2.8

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
31 December 2014

	Notes	2014 £'000	2013 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	941	869
Goodwill	9	18,867	18,876
Intangible assets	9	1,345	1,690
Deferred tax assets	14	149	10
Total non-current assets		21,302	21,445
Current assets			
Trade and other receivables	10	26,366	24,135
Cash at bank and in hand	11	1,279	1,063
Total current assets		27,645	25,198
Total assets		48,947	46,643
Liabilities			
Current liabilities			
Trade and other payables	12	(15,122)	(14,975)
Borrowings	13	(9,612)	(10,065)
Current tax payable		(1,439)	(1,222)
Total current liabilities		(26,173)	(26,262)
Total liabilities		(26,173)	(26,262)
Net assets		22,774	20,381
Equity			
Share capital	16	344	340
Share premium account		10,468	10,364
Capital redemption reserve		12	12
Retained earnings		10,322	9,194
Share-based payment reserve		2,006	1,154
Share buyback reserve		(666)	(666)
Total issued share capital and reserves attributable to the owners of the parent		22,486	20,398
Non-controlling interests	23	288	(17)
Total equity		22,774	20,381

The financial statements of InterQuest Group plc, registered number 04298109 were approved by the Board of Directors on 9th March 2015.

Signed on behalf of the Board of Directors

Michael R S Joyce

Director

InterQuest Group plc

Consolidated statement of changes in equity
For the year ended 31 December 2014

	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-controllin g interest £'000	Total equity £'000
Balance at 1 January 2013	332	9,844	12	8,823	839	(666)	(34)	19,150
Comprehensive income								
Profit for the year	-	-	-	972	-	-	34	1,006
Total comprehensive income for the year	-	-	-	972	-	-	34	1,006
Transactions with owners								
Movement in share-based payment reserve	-	-	-	-	315	-	-	315
Issue of share capital	8	520	-	-	-	-	-	528
Deferred tax credit	-	-	-	200	-	-	-	200
Dividends relating to 2013	-	-	-	(831)	-	-	(17)	(848)
Movement on reserves of foreign subsidiary	-	-	-	30	-	-	-	30
Total contributions by and distributions to owners	8	520	-	(601)	315	-	(17)	225
Balance at 31 December 2013	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

InterQuest Group plc

Consolidated cash flow statement
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit after taxation		2,316	1,006
Adjustments for:			
Depreciation	2	393	288
Gain on disposal of subsidiary (net)		-	(249)
Share-based payment charge	2	852	315
Finance costs	5	411	249
Amortisation	2	345	33
Income tax expense	6	580	423
(Increase) / decrease in trade and other receivables		(2,232)	328
Increase / (decrease) in trade and other payables		3,205	(1,077)
Cash generated from operations		5,870	1,316
Income taxes paid		(463)	-
Net cash from operating activities		5,407	1,316
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(465)	(315)
Acquisition of subsidiaries, net of cash acquired and goodwill adjustments		(21)	(4,636)
Net cash inflow from disposal of subsidiary		-	98
Loan notes repaid		(1,687)	-
Deferred consideration paid		(1,340)	-
Net cash used in investing activities		(3,513)	(4,853)
Cash flows from financing activities			
Proceeds from issue of share capital		108	28
Net (decrease) / increase in discounting facility		(453)	5,080
Interest paid	5	(411)	(249)
Dividends paid	22	(861)	(848)
Net cash (used in) / generated from financing activities		(1,617)	4,011
Net increase in cash, cash equivalents and overdrafts		277	474
Effects of currency translation on cash and cash equivalents		(61)	-
Cash, cash equivalents and overdrafts at beginning of year	11	1,063	589
Cash, cash equivalents and overdrafts at end of year	11	1,279	1,063

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014

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 legacy client relationships with significant customers in the financial services and retail sectors;
4. Public sector;
5. Mint Recruitment Solutions – a candidate centric "spot" business 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.

2014	Niche	ECOM	Enterprise	Public Sector	Mint	Other	Intercompany Trading	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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]	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

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

1. Revenue and segmental reporting (continued)

2013	Niche £'000	ECOM £'000	Enterprise £'000	Public Sector £'000	Mint £'000	Other £'000	Intercompany Trading £'000	Total £'000
Revenue	24,783	1,566	49,551	20,613	11,384	9,194	(2,232)	114,859
Gross profit	5,667	326	4,569	2,462	2,449	1,917	-	17,390
EBITA per management accounts	1,530	63[1]	1,924	1,217	653	(2,886)	-	2,501

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

- share-based payment charge	(315)
- non-recurring items	(621)
- amortisation of intangible assets	(33)
Statutory operating profit	1,532
Profit on sale of PayQuest	249
Acquisition costs	(103)
Finance costs	(249)
Profit before tax	1,429

[1] ECOM Recruitment Limited was acquired on 26 November 2013.

	Revenue 2014 £'000	Revenue 2013 £'000	Gross profit 2014 £'000	Gross profit 2013 £'000
Permanent	7,274	5,384	7,274	5,384
Contract	143,373	109,475	15,975	12,006
	150,647	114,859	23,249	17,390

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 (2013: no client represented more than 10%).

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Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

2. Administrative expenses

Administrative expenses include the following:

	2014 £'000	2013 £'000
Auditor's remuneration:		
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	15	15
Audit of company's subsidiaries pursuant to legislation	70	70
Total audit fees	85	85
- other services pursuant to legislation	4	4
Total non-audit fees	4	4
Total auditor's remuneration	89	89
Amortisation of intangible assets (see note 9)	345	33
Depreciation (see note 8)	393	288
Non-recurring items (see note 3)	408	621
Operating lease rentals – land and buildings	557	587
Share-based payment charge (see note 4)	852	315
Foreign currency loss / (gain)	113	(30)

3. Non-recurring items

The below represent non-recurring items in the 2014 financial statements:

	2014 £'000	2013 £'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	(50)	(103)
Restructuring costs	-	(225)
Tax on restructuring costs	-	62
Restructure and downsize of Singapore operations	-	(396)
Tax on Singapore restructure costs	-	5
Profit from sale of PayQuest Group Limited	-	249
	(329)	(408)

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

3. Non-recurring items (continued)

In 2014 the Group incurred non-recurring costs in four areas:

i) £132k with respect to the integration of newly acquired ECOM's back office systems and staff;

ii) £127k with respect to the relocation of the Group's finance function from London to Berkhamsted including the cost of temporary workers and retention bonuses for key staff;

iii) £99k of fees and expenses associated with the formal sale process in the second half of 2014; and

iv) £50k of costs and fees related to the acquisition of ECOM Recruitment Limited in November 2013.

4. Directors and employees

Staff costs including Directors during the year were as follows:

	2014 £'000	2013 £'000
Wages and salaries	9,444	8,156
Social security costs	1,377	897
Other pension costs (see note 15)	132	123
Share-based payment charge	852	315
	11,805	9,491

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

	2014 Number	2013 Number
Recruitment consultants	225	178
Administration	48	40
	273	218

Remuneration in respect of directors was as follows:

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
	573	7	390	970	10	980

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

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

4. Directors and employees (continued)

2013	Salary and fees £'000	Benefits £'000	Bonuses £'000	Total £'000	Pensions £'000	Total £'000
Executive Directors						
G P Ashworth	105	2	36	143	-	143
M A Braund	242	5	39	286	10	296
M R S Joyce	165	2	48	215	-	215
Non-Executive Director						
P M L Frew	27	-	-	27	-	27
	539	9	123	671	10	681

All bonuses shown above are payable in cash.

At 31 December 2014 the Directors who served during the year had interests in the following options:

	Scheme	Date of grant	Number of options	Exercise price	Date from which exercisable	Expiry date
M R S Joyce	EMI scheme	21 November 2005	30,000	48p	21 November 2007	21 November 2015
M R S Joyce	EMI scheme	21 November 2005	58,000	55p	21 November 2007	21 November 2015
M R S Joyce	Unapproved scheme	17 July 2007	50,000	116.5p	17 July 2009	17 July 2017
M R S Joyce	EMI scheme	23 December 2008	83,839	1p	1 January 2012	23 December 2018
M R S Joyce	EMI scheme	16 October 2009	26,000	1p	16 October 2012	16 October 2019
P M L Frew	Unapproved scheme	1 November 2011	40,000	1p	1 November 2011	1 November 2021
M Braund	EMI Scheme	10 July 2013	280,000	1p	1 January 2015	10 July 2023
M R S Joyce	EMI Scheme	10 July 2013	112,494	1p	1 January 2015	1 January 2023
M R S Joyce	EMI Scheme	10 July 2013	12,000	55p	1 January 2015	10 July 2023

No options held by Directors lapsed or were exercised during the year. Michael Joyce exercised options over 193,333 shares on 9 January 2015.

On 14 March 2012, several of the Directors received awards under a long-term incentive plan ("the Plan"); under the Plan the Directors received an award the value of which is linked to the Company's share price. The value of the awards are based on the share price of the Company over a period from 14 March 2012 to 1 January 2017, there is also an element of the Plan which is linked to the share price on a change of control.

Under the Plan, each Director is entitled a payment, which the Company intends to satisfy in newly issued shares, if the share price reaches and remains above certain hurdles for 40 consecutive days or longer. However, if the share price falls below a predetermined level for 40 consecutive days or longer under the terms of the Plan a cash payment will be due from the Director to the Company. As at 31 December 2014, Directors who served during the year had the following interests in long term incentive plans:

Share price for 40 consecutive days	Mark Braund	Michael Joyce
Below 20 pence per share	Payment to Company £7,500	Payment to Company £4,000
Equal to or greater than 80 pence per share	Receives 120,000 Shares	Receives 40,000 shares
Equal to or greater than 100 pence per share	Receives 240,000 shares	Receives 80,000 shares
Equal to or greater than 150 pence per share	Receives 280,000 shares	Receives 93,333 shares
Equal to or greater than 200 pence per share	Receives 280,000 shares	Receives 93,333 shares

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On 9 January 2015, Mark Braund and Michael Joyce received 360,000 shares and 120,000 shares respectively as a result of the share price having reached and remained above 100 pence for more than 40 consecutive days.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

5. Finance costs

	2014 £'000	2013 £'000
Interest payable on borrowings	411	249

6. Income tax expense

	Before non-recurring items £'000	Non-recurring items £'000	2014 £'000	2013 £'000
Current tax				
Corporation tax on profits for the year	929	(79)	850	531
Adjustments in respect of prior periods	(158)	-	(158)	(114)
Total current tax	771	(79)	692	417
Deferred tax				
Origination and reversal of temporary difference	(170)	-	(170)	(103)
Adjustment in respect of prior periods	58	-	58	109
Total income tax expense	659	(79)	580	423

Income tax expense recognised outside of the income statement	2014 £'000	2013 £'000
Current tax credit on share-based payments	(12)	-
Deferred tax credit on share-based payments	(27)	(200)
Total tax recognised outside of income statement	(39)	(200)

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Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

6. Income tax expense (continued)

	Before non-recurring items £'000	Non-recurring items £'000	2014 £'000	2013 £'000
Profit/(loss) before taxation	3,304	(408)	2,896	1,429
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	710	(88)	622	332
Effects of:				
Depreciation of assets not qualifying for tax relief	18	-	18	-
Net effect of tax losses in the year	(25)	-	(25)	154
Expenses not deductible for tax purposes	44	9	53	61
Income not taxable	-	-	-	(70)
Temporary difference with respect to share-based payment charge	-	-	-	(16)
Over provisions in prior years	(100)	-	(100)	(5)
Effect of change in tax rates	12	-	12	(33)
Total income tax expense	659	(79)	580	423

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.

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Notes to the consolidated financial statements for the year ended 31 December 2014 (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.

	2014 £'000	2013 £'000
Profit for the year attributable to the owners of the company	2,002	972
Adjustments to basic earnings		
Intangible assets amortisation	345	33
Deferred tax credit on intangible asset amortisation	(69)	(7)
Share-based payment charge	852	315
Tax credit on share-based payment charge	(183)	(16)
Restructuring items	132	-
Tax on restructuring items	(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	50	103
Restructuring costs	-	225
Tax restructuring costs	-	(62)
Restructure and downsize of Singapore operations	-	396
Tax on restructure of Singapore costs	-	(5)
Profit on sale of subsidiary	-	(249)
Adjusted earnings attributable to the owners of the company	3,276	1,705

	2014	2013
Weighted average number of ordinary shares for the purposes of basic earnings per share	34,211,021	33,391,693
Weighted average number of share options in issue	2,323,642	1,405,740
Weighted average number of ordinary shares for the purposes of diluted earnings per share	36,534,663	34,797,433

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Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

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

	Pence	Pence
Profit / (loss) per share		
Basic earnings / (loss) per share	5.9	2.9
Diluted earnings / (loss) per share	5.5	2.8
Adjusted earnings per share		
Basic earnings per share	9.6	5.1
Diluted earnings per share	9.0	4.9

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Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

8. Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2013	451	2,060	27	2,538
Additions – continuing operations	3	312	-	315
Additions – acquisitions	4	91	-	95
Disposals – continuing operations	-	(1)	-	(1)
Disposals – discontinued operations	-	(42)	-	(42)
At 31 December 2013	458	2,420	27	2,905
At 1 January 2014	458	2,420	27	2,905
Additions – continuing operations	259	206	-	465
At 31 December 2014	717	2,626	27	3,370
Depreciation				
At 1 January 2013	173	1,600	5	1,778
Provided in the year	82	201	5	288
Depreciation on disposals in the year	-	(30)	-	(30)
At 31 December 2013	255	1,771	10	2,036
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
Net book value				
At 1 January 2013	278	460	22	760
At 31 December 2013	203	649	17	869
At 31 December 2014	345	579	17	941

In 2013 the company acquired ECOM Recruitment Ltd and disposed of PayQuest Group Ltd.

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Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

9. Goodwill and intangible assets

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost			
At 1 January 2013	16,683	6,408	23,091
Additions from business combinations	4,871	1,723	6,594
At 31 December 2013	21,554	8,131	29,685
Additions from business combinations	21	-	21
Reductions from business combinations	(30)	-	(30)
At 31 December 2014	21,545	8,131	29,676
Amortisation			
At 1 January 2013	2,678	6,408	9,086
Provided in the year	-	33	33
At 31 December 2013	2,678	6,441	9,119
Provided in the year	-	345	345
At 31 December 2014	2,678	6,786	9,464
Net book value			
At 1 January 2013	14,005	-	14,005
At 31 December 2013	18,876	1,690	20,566
At 31 December 2014	**18,867**	**1,345**	**20,212**

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

	2014 £'000	2013 £'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	4,871
	18,867	18,876

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

9. Goodwill and intangible assets (continued)

The additional £1,723k in 2013 relates to the assessed Customer Relationship Intangible asset acquired upon acquisition of ECOM Recruitment Limited. The amortisation period for the asset is 5.0 years, with 3.9 years remaining as at 31st December 2014.

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 2014 are that the CGU's will trade in accordance with the 2015 budget, which has a higher financial result than that reported for 2014, followed by 5% growth in sales and 5% growth in costs (from 2015 levels) in subsequent years until 31 December 2019 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 discount rate of 12.47%.

The discount rate represents the Groups 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 2015 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 significant reduction in both growth rates and growth margin before impairment would need to be considered. These assumptions have been used for the analysis of each CGU because each CGU share similar attributes and it is appropriate to use similar assumptions.

10. Trade and other receivables

	2014 £'000	2013 £'000
Gross trade receivables	23,171	21,025
Provisions	(710)	(745)
Net trade receivables	22,461	20,280
Prepayments and accrued income	3,050	2,968
Other current assets	855	887
	26,366	24,135

Included within gross trade receivables is £9.6m (2013: £10.0m) 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.

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

10. Trade and other receivables (continued)

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

	2014 £'000	2013 £'000
Not more than 30 days	12,412	11,262
More than 30 days but less than 60 days	7,716	6,632
More than 60 days but less than 90 days	2,396	2,516
More than 90 days	647	615
	23,171	21,025

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

	2014 £'000	2013 £'000
Provision for receivables impairment at 1 January	745	601
Arising from acquisition	-	15
Amounts released in the year	(37)	(5)
New provision in the year	2	134
Provision for receivables impairment at 31 December	710	745

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

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

Transfer of financial assets

During the year, the Group factored trade receivables with an aggregate carrying amount of £169 million (2013: £93 million) 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 £22 million (2013: £10 million), and the carrying amount of the associated liabilities is £22 million (2013: £10 million).

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

10. Trade and other receivables (continued)

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

	2014 £m
Fair value of the transferred assets	22
Fair value of the associated liabilities	(22)
Net position	-

11. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash and cash equivalents	1,279	1,063

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

12. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	10,397	6,137
Other tax and social security	1,848	1,820
Other payables	28	28
Accruals and deferred income	2,406	3,490
Deferred consideration	443	2,160
Contingent consideration	-	1,340
	15,122	14,975

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 2014 (continued)

13. Financial liabilities - borrowings

	2014 £'000	2013 £'000
Less than one year		
Invoice discounting facility	9,612	10,065

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, most recently renewed on 5 January 2015.

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:

2014	Asset £'000	Liability £'000	Net £'000
Depreciation charged in arrears of capital allowances	-	(51)	(51)
Deferred tax on employee share options	456	-	456
Other timing differences	13	-	13
Intangible asset temporary difference	-	(269)	(269)
Asset at 31 December 2014	469	(320)	149

2013	Asset £'000	Liability £'000	Net £'000
Depreciation charged in excess / (arrears) of capital allowances	41	(15)	26
Deferred tax on employee share options	319	-	319
Other timing differences	3	-	3
Intangible asset temporary difference	-	(338)	(338)
Asset at 31 December 2013	363	(353)	10

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.

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

14. Deferred income tax assets and liabilities (continued)

At the balance sheet date, the group has unused tax losses of £0.4m (2013: £0.3m) available for offset against future profits. Deferred tax has not been recognised on these amounts as there is not 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:

	2014 £'000	2013 £'000
Asset at 1 January	10	224
Credit / (charge) to income statement (note 6)	112	(6)
Credit to equity	27	200
Owned by subsidiaries acquired	-	(15)
Owned by subsidiaries sold	-	3
Arising on acquisition	-	(396)
Asset at 31 December	149	10

15. Employee benefits

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

	2014 £'000	2013 £'000
Defined contributions	132	123

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

15. Employee benefits (continued)

Equity-settled share-based payments:

	Options	2014 Weighted average exercise price	Options	2013 Weighted average exercise price
Outstanding at beginning of the year	2,814,533	£0.20	3,035,324	£0.18
Granted during the year	623,500	£0.01	1,940,194	£0.01
Granted during the year	-	-	66,000	£0.60
Granted during the year	-	-	12,000	£0.55
Forfeited during the year	(407,712)		(1,984,985)	£0.05
Exercised during the year	(305,000)		(254,000)	£0.01
Outstanding at end of year	2,725,321	£0.18	2,814,533	£0.20
Exercisable during the year	1,454,880	£0.36	1,039,326	£0.51
Exercisable at the year end	1,454,880	£0.23	1,176,500	£0.35
Weighted average remaining contractual life of options outstanding at the end of the year	5.0 years		7.3 years	

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

15. Employee benefits (continued)

The options outstanding at 31 December 2014 had an exercise price ranging from £0.01 to £1.17 (2013: £0.01 to £1.17). The estimated fair value of the options granted in the year was £603,693 (2013: £1,228,919). 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 £0.13 (2013: £0.49).

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
14 June 2005	15,000	55p	14 June 2007	14 June 2015
1 July 2005	20,000	55p	1 July 2007	1 July 2015
21 November 2005	30,000	48p	21 November 2007	21 November 2015
21 November 2005	58,000	55p	21 November 2007	21 November 2015
1 March 2006	60,000	52p	1 March 2008	1 March 2016
15 June 2006	37,500	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	30,000	100p	22 October 2009	22 October 2017
23 December 2008	83,839	1p	1 January 2012	23 December 2018
16 October 2009	236,000	1p	16 October 2012	16 October 2019
28 June 2013	432,488	1p	1 January 2014	1 January 2024
28 June 2013	152,000	1p	5 January 2015	5 January 2025
28 June 2013	138,000	1p	1 July 2015	1 July 2025
28 June 2013	210,000	1p	1 January 2016	1 January 2026
10 July 2013	31,161	1p	1 January 2014	1 January 2024
10 July 2013	373,333	1p	1 January 2015	1 January 2025
10 July 2013	51,000	60p	1 July 2014	1 July 2024
12 March 2014	60,000	1p	1 January 2016	1 January 2026
12 March 2014	12,000	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	280,000	1p	31 January 2017	31 January 2027
14 May 2014	50,000	1p	31 January 2017	31 January 2027
	2,635,321			

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 2014 (continued)

15. Employee benefits (continued)

Unapproved scheme

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
19 July 2007	50,000	116.5p	19 July 2009	17 July 2017
1 November 2011	40,000	1p	1 November 2011	1 November 2021
	90,000			

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

	2014 £'000	2013 £'000
Weighted average share price	£0.97	£0.61
Weighted average exercise price	£0.01	£0.03
Expected volatility	30%	30%
Expected life	2 year	2 year
Risk free rate	0.5	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 2014 is £689K (2013: £237k).

During 2012, the Group implemented long-term incentive plans for certain Directors of the Company, details of which are included in note 4. The fair value charge through the Income Statement in 2014 was £163k (2013: £77k).

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

16. Share capital

	2014 £'000	2013 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
As at 1 January 2014:		
34,054,432 ordinary shares of 1p each	340	
Issue of share capital	4	
	344	
As at 31 December 2013:		
34,054,432 ordinary shares of 1p each	340	
As at 31 December 2014:		
34,359,432 ordinary shares of 1p each:	344	

During the year the total allotted and fully paid up shares in issue increased by £3,180. The total premium received in relation to these shares included £103,500 from employee's.

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

	Directors	Employees	Total
Issues:			
Issued on 9 April 2014	-	90,000	90,000
Issued on 3 July 2014	-	145,000	145,000
Issued on 25 September 2014	-	70,000	70,000
	-	305,000	305,000

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.

	2014 £'000	2013 £'000
Total debt	9,612	10,065
Less: Cash and cash equivalents	(1,279)	(1,063)
Net debt	8,333	9,002

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

17. Operating leases

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

	Land and buildings	
	2014	**2013**
	£'000	**£'000**
Between one and five years	1,129	1,097

18. Capital commitments

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 £1,302,444. This consideration was satisfied by:

Loan notes	**829,686**
Cash	**372,758**
Deferred consideration	**100,000**
Total	**1,302,444**

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

19. Related party transactions

The Group has taken advantage of the exemptions contained within IAS 24 - Related Party Disclosures from the requirement to disclose transactions between Group companies as those have been eliminated on consolidation. Transactions between the group and non-Group companies but considered related parties are disclosed below. 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**	**2014 £'000**	**2013 £'000**	**Directors involved**
Shillingridge Limited	Business expenses	20,621	15,011	G P Ashworth
Claire Ashworth	Employment remuneration	6,000	2,500	G P Ashworth
Lyn Braund	Media Services	37,638	15,975	M A Braund
Explosive Titles	Digital Media Services	31,680	61,320	P M L Frew
Deirdre O'Shaughnessy	Employment remuneration	13,714	2,500	M R S Joyce

No amounts were outstanding at 31 December 2014 or 31 December 2013.

As at 31 December 2014 the following loans were outstanding to Directors; Mark Braund £3,500; Michael Joyce £1,200.

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

19. Related party transactions (continued)

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

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
		312,748	12,128	4,271	1,806

2013

Dividends declared	Date paid	Gary Ashworth £	Mark Braund £	Michael Joyce £	Paul Frew £
2.0 pence per share	12 April 2013	255,198	9,742	3,717	800
0.5 pence per share	25 October 2013	63,800	2,436	929	361
		318,998	12,178	4,646	1,161

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

	Korus Recruitment Group £	IQ Telecom Ltd (formerly Fulcrum Telecom Ltd) £
Central recharges	72,000	30,000

Amounts due to the Parent at 31 December 2014 from subsidiaries not 100% owned were as follows:

	Korus Recruitment Group £	IQ Telecom Ltd (formerly Fulcrum Telecom Ltd) £
	1,172,069	600,649

Amounts due from the Parent at 31 December 2014 to subsidiaries not 100% owned were as follows:

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

19. Related party transactions (continued)

	Korus Recruitment Group £	IQ Telecom Ltd (formerly Fulcrum Telecom Ltd) £
	1,020,473	1,074,126

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:

	2014 £'000	2013 £'000
Salaries and other short-term employee benefits	1,805	1,768
Share-based payments	450	227
	2,255	1,995

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

20. Events after the balance sheet date

The Group purchased the remaining 39.92% shareholding in IQ Telecom (formerly Fulcrum Telecom Limited) on 4 March 2015 – refer to note 18.

InterQuest Group plc

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

21. Financial risk management

Interest rate sensitivity

At 31 December 2014, 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 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% (2013: +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.

	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net result for the year	(573)	96	(318)	53
Equity	(573)	96	(318)	53

Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of trade receivables. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and 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.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

21. Financial risk management (continued)

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

	2014 £'000	2013 £'000
Loans and receivables	26,461	23,828
Total financial assets	26,461	23,828

	2014 £'000	2013 £'000
Current assets		
Trade receivables	22,461	20,280
Accrued income	2,721	2,485
Cash and cash equivalents	1,279	1,063
	26,461	23,828

	2014 £'000	2013 £'000
Financial liabilities measured at amortised cost	23,833	21,093

	2014 £'000	2013 £'000
Current liabilities		
Borrowings	9,612	10,065
Trade payables	10,397	6,137
Other payables	1,418	1,401
Accruals	2,406	3,490
	23,833	21,093

22. Dividends paid

	2014 £'000	2013 £'000
Dividends paid during the year of 2.5 pence per share	861	848

The directors proposed a second interim dividend of 2.0 pence per share to be paid on 15 May 2015 (2013: 2.0 pence per share) this has not been included as a liability in these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

23. Non-controlling interests

	£'000
Balance at 1 January 2013	(34)
Share of profit for the year	34
Payment of dividends	(17)
Balance at 31 December 2013	(17)
Share of profit for the year	314
Payment of dividends	(9)
Balance at 31 December 2014	288

The Group holds 50.1% of the nominal value of the share capital of Korus Recruitment Group Limited and 62.5% of IQ Telecom Limited (formerly Fulcrum Telecom Limited). The above non-controlling interest represents the portion of retained earnings not held by the Group at the year end.

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 2014 which comprise the Parent Company Balance Sheet, and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and 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 2014 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

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

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 2014.

John Charlton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

9 March 2015

InterQuest Group plc

Principal accounting policies
Year ended 31 December 2014

Basis of preparation

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

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

Investments

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

Deferred taxation

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

Financial instruments

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

Employee benefits

Defined contribution pension scheme

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

Equity-settled share-based payment

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

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

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

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

InterQuest Group plc

Principal accounting policies (continued)
Year ended 31 December 2014

Employee benefits (continued)

Equity-settled share-based payment (continued)

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

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

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

Deferred consideration

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

InterQuest Group plc

Parent company balance sheet

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	1	30,281	30,281
		30,281	30,281
Current assets			
Debtors	2	9,332	6,366
Cash at bank and in hand	3	1	11
		9,333	6,377
Creditors: amounts falling due within one year	4	(26,710)	(25,831)
Net current liabilities		(17,377)	(19,454)
Total assets less current liabilities and net assets		12,904	10,827
		12,904	10,827
Capital and reserves			
Called up share capital	5	344	340
Share premium account	6	10,468	10,364
Capital redemption reserve	6	12	12
Profit and loss account	6	1,694	77
Share-based payment reserve	6	1,052	700
Share buyback reserve	6	(666)	(666)
		12,904	10,827

These parent company financial statements were approved by the board on 9 March 2015 and were signed on its behalf by:

Michael R S Joyce
Finance Director

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

Company registration number: 04298109

InterQuest Group plc

Notes to the parent company financial statements
For the year ended 31 December 2014

1. Investments

	Total £'000
Net book value	
As at 1 January 2014	30,281
Net Book Value as at 31 December 2014	30,281

Under FRS7 *Fair value in acquisitions accounting* the identification and valuation of assets and liabilities should be completed, if possible, by the date on which the first post-acquisition financial statements of the acquirer are approved by the directors. If it has not been possible to complete the investigation of fair values by that date, provisional valuations should be made; these should be amended in the next financial statements with a corresponding adjustment to goodwill.

InterQuest Group plc

Notes to the parent company financial statements (continued)
For the year ended 31 December 2014

1. Investments (continued)

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

Name of subsidiary undertaking	Country of incorporation	Holding	Nature of business
InterQuest Group (UK) Limited	UK	Ordinary shares	IT recruitment
Contract Connections Limited	UK	Ordinary shares	Non trading
InterQuest Asia Pte	Singapore	Ordinary shares	IT recruitment
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

The Company also holds 50.1% of the nominal value of the share capital of Korus Recruitment Group Limited and 62.5% of IQ Telecom Limited (formerly Fulcrum Telecom Limited), companies 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 (formerly Fulcrum Telecom Limited) (07153224), ECOM Recruitment Limited (03884327).

The following companies are taking an exemption from preparing and filing accounts 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).

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. For the purposes of applying the equity method of accounting, the financial statements of ECOM Recruitment Limited and Contract Connections Limited for the years ended 31 March 2014 and 31 May 2014 respectively have been used, and appropriate adjustments have been made for the effects of significant transactions between these dates and 31 December 2014.

InterQuest Group plc

Notes to the parent company financial statements (continued)
For the year ended 31 December 2014

2. Debtors

	2014 £'000	2013 £'000
Amounts owed by Group undertakings	9,332	6,366
	9,332	6,366

3. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank	1	11

4. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	24	-
Amounts owed to Group undertakings	26,643	24,489
Deferred consideration	-	1,340
Corporation tax	-	2
Other creditors	43	-
	26,710	25,831

InterQuest Group plc

Notes to the parent company financial statements (continued)
For the year ended 31 December 2014

5. Share capital

	2014 £'000	2013 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
As at 1 January 2014:		
34,054,432 ordinary shares of 1p each	340	
Issue of share capital	4	
	344	
As at 31 December 2013:		
34,054,432 ordinary shares of 1p each	340	
As at 31 December 2014:		
34,359,432 ordinary shares of 1p each:	344	

During the year the total allotted and fully paid up shares in issue increased by £3,180. The total premium received in relation to these shares included £103,500 from employees.

6. Share premium account and reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Share-based payment reserve £'000	Share buyback reserve £'000
As at 1 January 2014	10,364	12	77	700	(666)
Issue of share capital	104	-	-	-	-
Loss for the year	-	-	(550)	-	-
Dividends paid	-	-	(852)	-	-
Dividends received	-	-	3,019	-	-
Share-based payment charge	-	-	-	352	-
As at 31 December 2014	10,468	12	1,694	1,052	(666)

InterQuest Group plc

Notes to the parent company financial statements (continued)
For the year ended 31 December 2014

7. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Loss for the year	(550)	(33)
Impairment of investment and receivable	-	(1,109)
Issue of shares	4	8
Share premium	104	520
Share-based payment reserve	352	175
Dividends paid	(852)	(831)
Dividends received	3,019	-
Net increase/(decrease) in shareholders' funds	2,077	(1,270)
Shareholders' funds at 1 January	10,827	12,097
Shareholders' funds at 31 December	12,904	10,827

8. Capital commitments

The company had no capital commitments at 31 December 2014 or 31 December 2013.

9. Contingent liabilities

There were no contingent liabilities at 31 December 2014 or 31 December 2013.

10. Operating leases

	Land and buildings	
	2014 £'000	2013 £'000
Between one and five years	341	437

InterQuest Group plc

Notes to the parent company financial statements (continued)
For the year ended 31 December 2014

11. Transactions with directors and other related companies

Related party	Nature of business	2014 £'000	2013 £'000	Directors involved
Shillingridge Limited	Business expenses	20,621	15,011	G P Ashworth
Claire Ashworth	Employment remuneration	6,000	2,500	G P Ashworth
Lyn Braund	Photography	37,638	15,975	M A Braund
Explosive Titles	Website Development	31,680	61,320	P M L Frew
Deirdre O'Shaughnessy	Employment remuneration	13,714	2,500	M R S Joyce

As at 31 December 2014 the following loans were outstanding to Directors; Mark Braund £3,500; Michael Joyce £1,200.

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

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

12. Post balance sheet events

The company had no material post balance sheet events.

13. Profit attributable to the Company and cash flow statement

The profit for the financial year of the Company was £2,459,778 (2013: £1,141,605 loss). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company.

Since InterQuest Group plc prepares a consolidated Cash Flow Statement, the Company has taken advantage of the exemption available in FRS 1 to not produce a Company only Cash Flow Statement.

14. Dividends paid

	2014 £'000	2013 £'000
Dividends paid during the year of 2.5 pence per share	852	831

The directors propose to pay a second interim dividend of 2 pence per share on 15 May 2015 (2013: 2 pence per share).