INTERQUEST GROUP

INTERQUEST GROUP PLC ANNUAL REPORT AND FINANCIAL STATEMENTS

31ST DECEMBER 2013

Company Registration No. 04298109

Annual report and financial statements 2013

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Annual report and financial statements 2013

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M A Braund
P M L Frew
M R S Joyce

Secretary

M R S Joyce

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Highlights

The InterQuest Group is a group of specialist recruitment businesses providing contract and permanent recruitment services within the analytics, financial and technology market sectors.

Financial highlights

- Revenue increased by 2.0% to £114.9m (2012: £112.7m)
- Net fee income* (NFI) increased by 6.1% to £17.4m (2012: £16.4m)
- Gross profit margin % up 60 basis points at 15.1% (2012: 14.5%)
- Gross profit margin % on contractor recruitment business (excluding payroll deals) up 80 basis points to 12.3% from 11.5% in 2012 and from 10.9% in 2011
- EBITA before non-recurring items and IFRS 2 charges** increased by 39% to £2.5m (2012: £1.8m)
- Reported profit before tax for the year £1.43m (2012: £0.4m loss)
- Basic adjusted earnings per share 4.8 pence (2012: 3.5 pence) up 37%
- Basic earnings per share 2.9 pence (2012: loss per share of 0.4 pence)
- Net cash from operating activities £1.3m (2012: £0.9m)
- Net debt £9.0m (2012: £4.4 m) post acquisition of ECOM Recruitment Limited
- Second interim dividend of 2.0 pence per share is proposed and will be paid on 17th April 2014 (2012: 2.0 pence per share) bringing the total dividend for the year to 2.5 pence per share (2012: 2.5 pence per share)

EBITA = Earnings before interest, tax and amortisation

* Net fee income represents gross profit

**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

Operational highlights

- Improved profitability as we continue to build our business in line with the strategy that was implemented in 2012;
- Continued improvement for the fifth reporting period in a row in contract recruitment gross margins as we focus on niche specialist recruitment;
- Net operating margin (adjusted EBITA/NFI) improved by 340 basis points from 11.0% to 14.4%;
- Mint branded business returned to profitability;
- Disposal of non-core umbrella business, PayQuest Group Limited, which was started in 2010 for £314k;
- Acquisition of the UK's leading digital technology recruitment business, ECOM Recruitment Limited ("ECOM") on 26th November 2013 complements our portfolio to provide market leading digital capability

Highlights

Mark Braund, Chief Executive Officer, commented: "I am delighted with the progress we have made during 2013; we delivered a strong financial performance in the year with robust growth in net fee income, gross profit margins and EBITA. Our strategy of focusing on specialist disciplines in key niche markets has underpinned this success and we anticipate this will deliver further growth in 2014.
In addition, our focus has been on leveraging our client relationships by offering them our specialist capability across multiple disciplines and cross-selling our niche offerings into each and every Client. This opportunity is further enhanced by the acquisition of the UK's leading digital recruitment specialist ECOM Recruitment Limited ("ECOM"), in November 2013, providing incremental opportunities in areas such as analytics, ERP, technology sales and telecoms. We have already seen the benefits of making their unique talent pool available to our Clients.
We have started 2014 with a contract book that is organically 10% higher than a year ago (excluding the impact of the ECOM acquisition) and with foundations in place to capitalise upon the market opportunity in 2014.
Overall our results and market position 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'".

Gary Ashworth, Executive Chairman, commented: "The transformation of our business that we undertook in 2012 has delivered improved financial and operational results in 2013, which we look forward to building upon significantly in the coming year. In addition, the acquisition of ECOM has accelerated the Group's capability in the digital sector to a market leading level. Trading in January and February has been encouraging, especially in respect of recurring contract revenue and we look forward to the year unfolding with confidence."

Strategic Report

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.

The business model

The InterQuest Group is a group of specialist recruitment businesses providing contract and permanent recruitment services within the analytics, financial and technology market sectors.

We operate a portfolio of recruitment businesses with an increasing focus on markets where there is both growth in demand and a shortage of key skills. Our businesses operate from ten locations across the United Kingdom.

The Group focuses upon specialisation to deliver value and outperform competition in key niche disciplines. As a result, our interests are aligned to customers where quality is much more valued than quantity and we increasingly target markets where our services derive higher than industry average margins.

Contract recruitment

Contract recruitment is divided into 'generic' and 'specialist' markets. InterQuest is increasingly focused on the 'specialist' market. The 'generic' market is maturing rapidly, resulting in margin erosion as large service providers compete more often than not on price. InterQuest's strategy of targeting in-demand, specialist markets has helped us change the mix of our contract business in favour of 'specialist' rather than 'generic' contract business and as such supported the improvement in our margins, even in challenging market conditions.

As market conditions improve, demand will also improve for good quality candidates across a number of more generic roles, where we suspect margins will stabilise. As we focused our niche specialists in their respective markets, we also chose to retain and better define an efficient and effective recruitment centre model to support the more generic, easier to fill roles. This centre is based in the UK and is manned by professional recruiters skilled in connecting opportunities with talent across a broader base of skills than can be covered by our specialist niche businesses. As such the InterQuest recruitment centre provides our clients with a trusted source of quality talent across a broad range of technical, analytical and change management requirements, without distracting the attention of our specialists from the in-demand 'difficult to fill' vacancies.

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 will continue to come under pressure, especially during a period of economic uncertainty.

The focus of InterQuest is to continue to specialise, developing unique networks and talent pools of passive candidates. This moves us towards a position of strength; targeting critical roles that are difficult to fill and thereby strengthening our value proposition in this market.

Strategic Report (continued)

Strategy and objectives

The central elements of our strategy remain:

- Further fine tune our investment in key niche and specialist disciplines to improve service value and margins;
- Leverage the opportunity to cross-sell into existing customers delighted with our service the capability of our other complimentary niche recruitment businesses including newly acquired ECOM; and
- Develop greater brand recognition and value through aligning each of our recruitment businesses under the banner of a single InterQuest brand.

Review of the business in 2013

During 2013, we have delivered improved results and continued to build our business in line with the strategy and reorganisation that were completed in the second half of 2012.

In 2012 we successfully reorganised ourselves from a group of affiliated IT recruitment businesses into one with clearly defined specialist businesses utilising a common methodology, a single operating platform and new IQ branding. We also reorganised our management team and Mint branded business.

These initiatives have given us a platform for scalability, organic growth and improved profitability which delivered improved financial results in 2013.

Operations

Operational mix remains weighted towards contract recruitment

The operational mix of our business between contract and permanent recruitment activities remained constant at one third permanent recruitment; two thirds contract recruitment.

Move to higher margins

We continue to see the quality and profile of our business improve as a result of our specialist brands focusing on driving value and filling the most difficult roles with the best talent available in the market. Modest gains in NFI somewhat mask the significance of the changes that helped to bring about this result.

As a result of this strategy:

- the average margin derived from contract recruitment activities (excluding payroll services) has increased to 12.3% in 2013 from 11.5% in 2012 and from 10.9% in 2011;
- the percentage of our contract NFI derived from what we term “professional” roles has increased during the period from 54% in January and February to 60% in the final quarter of the year. We define “professional” roles as those with gross margin % greater than 12%; and
- the average fee for permanent recruitment services increased by 13% to £7,407 in 2013 from £6,533 in 2012.

An improving customer experience

No part of our organisation has remained untouched by the effort we have made to add value to our candidates and customers at the same time as outperforming our traditional competitors.

Strategic Report (continued)

Stronger account management and expert delivery teams have succeeded in delivering recruitment services with greater efficiency and effectiveness improving customer retention and profitability.

The unified branding of the IQ family of specialist businesses is gaining recognition as a trusted source of specialist knowledge for our candidates and clients and the consolidation of our recruitment processes and systems (completed last year) is improving service to both.

Increased and improved training programmes for staff at all levels of our organisation continues to underpin our ethos of striving to offer the best experience possible to customers and candidates.

Greater efficiency and improved profitability

We are pleased to report a significant increase in profitability in this reporting period.

- Adjusted EBITA* increased by 39% to £2.5m (2012: £1.8m);
- Adjusted PBT* increased by 53% to £2.3m (2012: £1.5m);
- Net operating margin (adjusted EBITA/NFI) improved from 11.0% to 14.4%
- Statutory profit before tax increased from a loss of £0.4m in 2012 to a profit of £1.4m

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

Several factors have contributed to this improvement:

- Modest growth in NFI and revenue in a market that was still fragile at first yet improved towards the end of the year;
- Stronger and more efficient account management and delivery to customers;
- Consolidation and improvement of our business process and support systems including back office; and
- The restructuring of our Mint branded business at the start of the year has seen it return to sustainable profitability in 2013.

Disposal of umbrella business on 1st May 2013

PayQuest Group Limited (“PayQuest”) was established in 2010 as a new business within the Group. PayQuest provides payroll services to information technology consultants working on contract assignments. This is not a core activity for the Group as we seek to focus our efforts more narrowly on high value niche recruitment.

Consequently, we disposed of the business to a specialist payroll service provider on 1st May 2013 for £314k comprising £300k for the business and £14k for the net assets in the completion balance sheet. After associated fees and bonuses the Group has recorded a one-off profit of £249k in this reporting period.

Acquisition of ECOM Recruitment Limited on 26th November 2013

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

Founded in 1999, ECOM has built a leading brand within the digital space and recruits for many of the Top 100 (New Media Age) list of digital agencies. They also work with a number of recognisable brands in the UK including Retailers, DotCom businesses, Media, Publishing and FMCG businesses. ECOM's core strengths are Creative, Content, Technology, User Experience, Client Services, Digital PR & Social Media, Project Management, Web Analytics & Digital Marketing.

Strategic Report (continued)

With a team of digital recruitment specialists operating from offices in Marylebone ECOM accelerates the Group's capability in the digital sector to a market leading level. In addition ECOM has a customer base which provides InterQuest's specialist businesses with incremental opportunities in areas such as analytics, ERP, technology sales and telecoms.

The Group has paid an initial consideration of £3.54m comprising £3.04m in cash and £0.50m by the issue of 558,659 new InterQuest shares on completion. A further deferred consideration of £2.16m is payable by way of a loan note with a 3% coupon of which £0.50m is payable in May 2014 and £1.66m in December 2014.

In addition, up to a further £1.34m subject to an earn-out could become due in December 2014 if the business achieves £1.34m of EBIT in the year to 31st October 2014.

In the year ended 31st March 2013, ECOM reported adjusted EBIT of £0.85m and had net assets of £0.80m.

The acquisition has been financed from the Group's existing bank resources.

Looking forward

Our markets and the wider UK economy improved during the later stages of 2013 and this continued in early 2014.

In our view, margin is a measure of value; as such the Group continues to demonstrate increased value since reshaping the business by reporting improved margins for the fifth reporting period in a row.

Our business model is a 'value-play', firmly placing InterQuest at the heart of specialist niche recruitment in the UK. Challenges remain however; not least margin compression in key accounts with large clients, which to some extent mask the gains we have made elsewhere as we move our business more and more towards niche segments and higher margins.

We have resisted the temptations of the pack to chase volume business, where margins have eroded and the ability to service the 'difficult to fill vacancies' has all but disappeared.

Contract NFI, which represents 68% of total NFI is showing positive signs of sustainable growth as confidence builds in the economic recovery and employers reignite projects aimed at improving their own competitive advantage. Our results through the tail end of 2013 into January and February 2014 are evidence of this. Improving permanent recruitment activity is now beginning to show the early signs of following this pattern.

InterQuest is well positioned to capitalise on improving market conditions; our continuous focus on developing networks of talent in the most competitive areas of talent acquisition means InterQuest is an increasingly attractive source for competitive organisations to fill their 'most difficult to fill' vacancies.

As market conditions improve demand will also improve for good quality candidates across a number of more generic roles. A key component of our strategic plan is to retain and better define an efficient and effective recruitment centre model to support the more generic, easier to fill roles. This centre is based in the UK and is manned by professional recruiters skilled in connecting opportunities with talent across a broader base of skills than can be covered by our specialist niche businesses. As such the InterQuest recruitment centre provides our clients with a trusted source of quality talent across a broad range of technical, analytical and change management requirements, without distracting the attention of our specialists from the in-demand 'difficult to fill' vacancies.

Strategic Report (continued)

This strategy and the steps we took in 2012 to unify our brands in one IQ family and to consolidate and streamline our processes and systems should continue to deliver improved profitability in future reporting periods.

The vast majority of our business (over 90%) is in the United Kingdom therefore a continued improvement in UK market conditions – should that happen - would be a further catalyst.

Key Performance Indicators

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

	31 December 2013 £'000	31 December 2012 £'000
Financial KPI's:		
Revenue	114,859	112,653
Net Fee Income	17,390	16,374
Gross profit percentage	15.1%	14.5%
Gross profit percentage – contract recruitment (excluding payroll services)	12.3%	11.5%
EBITA* before non-recurring items	2,186	1,698
EBITA* before non-recurring items and FRS 2 charges	2,501	1,804
Net cash from operating activities	1,316	928
Net debt	9,002	4,396
Non-financial KPI's:		
Recruitment staff (average number during the year)	178	183
Administration staff (average number during the year)	40	40

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

Revenue

Revenue (all from continuing operations) increased by 2.0% during 2013 to £114.9m (2012: £112.7m).

Net fee income ("NFI")

Net fee income increased by £1.0m, or 6.1%, to £17.4 m (2012: £16.4m).

Our net fee income (gross margin) percentage increased from 14.5% to 15.1% reflecting continued gains in our contractor recruitment % margin from our 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 constant at 68:32 in favour of contract (see note 1).

Our contract recruitment gross margin % improved 80 basis points to 12.3% from 11.5% in 2012 and from 10.9% in 2011 (stripping out PayQuest umbrella service transactions and 'payroll' deals that we process at low margin because we are providing no recruitment services).

EBITA

EBITA before non-recurring items and IFRS 2 share charge (reconciliations provided in note 1 to the Financial Statements) increased by 39% to £2.5m (2012: £1.8m).

Net finance costs were £0.25m (2012: £0.26m).

Profit before tax increased to £1.4m (2012: loss of £0.4m).

Tax on profits was £0.5m before non-recurring items (2012: £0.3m) a detailed analysis is included at note 6.

Strategic Report (continued)

Non-recurring items
The following table summarises non-recurring items in the 2013 financial statements:

	31 December 2013 £'000	31 December 2012 £'000
Restructuring costs	(225)	(674)
Tax on restructuring costs	62	165
Restructure and downsize of Singapore operations	(396)	-
Tax on Singapore restructure costs	5	-
Profit from sale of PayQuest Group Limited	249	-
Costs associated with acquisition of ECOM Recruitment Limited	(103)	-
Impairments of goodwill, intangibles and other assets	-	(1,616)
Deferred tax credit on impairment of intangibles	-	229
Repayment of purchase consideration	-	1,000
Over provision of tax in prior year	-	139
	(408)	(757)

1. Restructuring costs

In 2012, the Group reorganised from affiliated IT businesses into clearly defined specialist businesses utilising a common methodology, a single operating platform and new IQ branding. The final piece of this reorganisation was to restructure our finance department in the first half of 2013 which included upgrading our general ledger system and exiting several long serving members of the finance team. The one-off costs associated with this were £225k.

In December 2013, we restructured and downsized our operations in Singapore, at a cost of £396k. The business was established in late 2011 and has consistently failed to meet expectations.

2. Profit from sale of PayQuest Group Limited

PayQuest Group Limited ("PayQuest") was established in 2010 as a new business within the Group. PayQuest provides payroll services to information technology consultants working on contract assignments. This is not a core activity for the Group as we seek to focus our efforts more narrowly on high value niche recruitment.

Consequently, we disposed of the business to a specialist payroll services provider on 1stMay 2013 for £314k comprising £300k for the business and £14k for the net assets in the completion balance sheet. After associated fees and bonuses the Group has recorded a one-off profit of £249k in this reporting period.

3. Acquisition of ECOM Recruitment Limited

On 26th November the Group acquired 100% of the ordinary share capital of ECOM Recruitment Limited. The Group incurred one-off legal and consultancy fees of £103k in relation to this acquisition. Full details of the acquisition are included in note 11.

Strategic Report (continued)

Earnings per share and dividend

Basic earnings per share were 2.9 pence (2012: loss per share of 0.4 pence). 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 4.8 pence representing an increase of 37% from 3.5 pence in 2012. See note 7 for details of the calculation.

We are declaring an interim dividend of 2.0 pence in line with our dividend policy and this will be paid on 17th April 2014 to shareholders on the register on 21st March 2014. The ex-dividend date is 19th March 2014.

Balance sheet, cash flow and financing

The Group's net assets increased by £1.23m to £20.38m at 31 December 2013 (2012: £19.15m).

Operating profit before non-recurring items and tight control of working capital delivered £1.3m of operating cash flow (2012: £0.9m). The Group paid £0.25m (2012: £0.26m) of interest during the year. Net capital expenditure was £0.32m (2012: £0.22m) and dividends of £0.85m (2012: £0.82m) were paid.

Net debt increased from £4.4m at the start of the year to £9.0m at the end of 2013 (2012: decreased from £5.5m at the start of the year to £4.4m 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 £15.0m and the facility has a six month rolling notice period. The main reason for the increase in debt during the year was the acquisition of ECOM Recruitment Limited on 26th November 2013 (£4.6m invested, net of cash acquired).

Going concern

The Board has reviewed and adopted the Group's 2014 financial budget and reviewed cash flow projections to the end of March 2015 including investment and capital expenditure outflows. The Group, which is currently financed by way of a £15 million confidential trade receivables finance facility renewable on a rolling basis with six months notice, has experienced a step change in size recently as a result of the acquisition of ECOM in November 2013 and organic growth in contractor net fee income. As a result of this growth the Group is forecasting increased working capital requirements which will require an increase in this finance facility. The Group has held discussions with its bankers about its future borrowing needs and is at an advanced stage in 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 request is progressing through normal approval processes. No matters have been drawn to the Group's attention to suggest that extension may not be forthcoming in the short-term on acceptable terms. After making reasonable enquiries, and after considering reasonable sensitivities, the Directors consider the Group has sufficient financial resources which, together with internally generated cash flow will continue to provide sufficient liquidity to fund its current operations including contractual and commercial commitments. Therefore the Group is well placed to manage its business risks, despite the current uncertain economic outlook. 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.

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

Strategic Report (continued)

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.

Principal business risks

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

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

Strategic Report (continued)

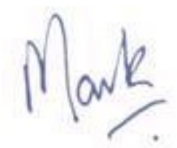
The Group's success depends to a significant extent upon a limited number of key employees. No assurances can be given that the loss of any executive officer or key employee of the company would not have a material effect on the business; financial condition or results of operations of the Group, particularly 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 management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board



Mark A Braund

Chief Executive Officer

InterQuest Group PLC

Report of the directors

Results and dividends

The Group's profit for the year amounted to £1m (2012: loss of £0.1m). The directors propose to pay a second interim dividend of 2.0 pence per share on 17th April 2014 (2012: 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 2013 and 31 December 2013 were as follows:

	Ordinary shares of 1p each	
	31 December 2013 £'000	31 December 2012 £'000
G P Ashworth	12,759,912	12,759,912
M A Braund	487,103	487,103
M R S Joyce	185,830	185,830
P M L Frew	72,258	40,000

A W Found resigned as Director of the company on 17th January 2013.

G C Goldsmith resigned as Director of the company on 22nd January 2013 and has no interest in the shares of the company at the date of this report.

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

The Company's share price has ranged from a low of 48.5 pence to a high of 96.0 pence during the year with a closing price of 89.5 pence at 31 December 2013.

Share capital

Details of changes in the share capital of the Company during the year are shown in note 18 to the consolidated Financial Statements.

Substantial shareholdings

As at 25 November 2013, the directors were aware of the following interests in the ordinary share capital of the Company representing an interest of 3% or more of the Company's issued share capital.

Name of holder	Number of shares	Percentage shareholding
G P Ashworth	12,759,912	37.5%
Helium Special Situations Fund	4,195,476	12.3%
ISIS Equity Partners	2,250,789	6.6%
Jim Mellon	1,818,181	5.3%
AXA Framlington Investment Managers	1,200,000	3.5%
Martyn Barrow	1,056,190	3.1%
Rathbone Private Clients	999,793	2.9%

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.

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

Payment policy and practice

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

At the year end the Group had an average of 23 days (2012: 27 days) purchases outstanding in trade creditors.

Charitable donations

During the year the Group made a total of £10,515 (2012: £7,861) 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 maintain several bank accounts denominated in foreign currencies including Euro's, 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 Groups financial risk management and policies refer to note 23.

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.

By order of the board

M R S Joyce
Secretary

5th March 2013

Corporate governance report

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

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

Operation of the Board

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

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

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

Composition of the Board

The Board comprises three Executive and one Non-Executive Director with considerable business experience particularly within the IT sector.

The Board considers the Non-Executive Director to be independent. Paul Frew provides no services to the Group other than acting as Non-Executive Director and he receives a basic salary but no bonus. He holds 72,258 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.

Executive Chairman and Chief Executive

Gary Ashworth holds the position of Executive Chairman. As Executive Chairman he is responsible for the operation of the Board, investor relations and leading the Group's acquisition strategy.

Mark Braund holds the position of Chief Executive Officer and he is responsible for the business and operational strategy of the Group and building the Group's business 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 plans to meet a minimum of twice a year. The Chief Financial Officer and the external auditor attends the meetings when requested by the Committee.

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

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

Corporate governance report (continued)

The Committee monitors the objectivity and independence of the audit process and matters relating to the appointment of the Company's auditors which is Deloitte LLP. Both the Committee and the auditors 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 is given 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 three Executive Directors.

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 2013, the Board met formally eleven times in addition to informal meetings and attendance at the AGM. All Directors attended all eleven 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 on-going process by which critical risks to the business are identified, evaluated and managed. The Board and particularly the Audit Committee assesses the effectiveness of the Group's system of internal controls, including financial, organisational and compliance controls and risk management systems.

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

Corporate governance report (continued)

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.

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 2013 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 25. 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 2013 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.

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

Matters on which we are required to report by exception

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

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

Other matters

We have reported separately on the parent company financial statements of InterQuest Group plc for the year ended 31 December 2013.

John Charlton (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
5th March 2014

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 ten 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 England and Wales. 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.

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

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

IFRS 13 Fair Value Measurement	The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see notes 8 -12 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any impact on the amounts recognised in the consolidated financial statements.

Principal accounting policies (continued)

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

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)	The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. This has no impact for the 2013 financial statements.
Amendments to IFRS 7 Disclosures	The Group has applied the amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.

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 10	Consolidated Financial Statements
IFRS 12	Joint Arrangements
IAS 27 (revised)	Investment Entities
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (revised)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (revised)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (revised)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC Interpretation 21	Levies

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except as that IFRS 9 will impact both the measurement and disclosures of Financial Instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Principal accounting policies (continued)

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

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, however, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Basis of consolidation

The Group's financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2013. 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.

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).

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

Property, 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.

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.

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.

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.

Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Notes	Before non-recurring items £'000	Non-recurring items £'000	2013 £ £'000	Before non-recurring items £'000	Non-recurring items £'000	2012 £ £'000
Revenue		113,293	-	113,293	112,653	-	112,653
Revenue from acquisitions		1,566	-	1,566	-	-	-
Group revenue	1	114,859	-	114,859	112,653	-	112,653
Cost of sales		(97,469)	-	(97,469)	(96,279)	-	(96,279)
Gross profit	1	17,390	-	17,390	16,374	-	16,374
Amortisation	2	(33)		(33)	(542)	-	(542)
Impairments	3	-	-	-	-	(1,616)	(1,616)
Other administrative expenses	2	(15,204)	(621)	(15,825)	(14,676)	(674)	(15,350)
Total administrative expenses	2	(15,237)	(621)	(15,858)	(15,218)	(2,290)	(17,508)
Operating profit/(loss):							
Continuing operations		2,090	(621)	1,469	1,156	(2,290)	(1,134)
Operating profit from acquisitions		63	-	63	-	-	-
Group operating profit/(loss)	2	2,153	(621)	1,532	1,156	(2,290)	(1,134)
Refund of purchase consideration		-	-	-	-	1,000	1,000
Profit from sale of subsidiary		-	249	249	-	-	-
Acquisition costs		-	(103)	(103)	-	-	-
Finance costs	5	(249)	-	(249)	(262)	-	(262)
Profit/(loss) before taxation		1,904	(475)	1,429	894	(1,290)	(396)
Income tax expense / (credit)	6	(490)	67	(423)	(260)	533	273
Profit/(loss) for the year		1,414	(408)	1,006	634	(757)	(123)

Consolidated statement of comprehensive income
Year ended 31 December 2013

	Notes	Before non-recurring items £'000	Non-recurring items £'000	2013 £'000	Before non-recurring items £'000	Non-recurring items £'000	2012 £'000
Profit/(loss) and total comprehensive income attributable to:							
- Owners of the parent		1,380	(408)	972	616	(757)	(141)
- Non controlling interests	25	34	-	34	18	-	18
Total comprehensive income/ (expense) for the year		1,414	(408)	1,006	634	(757)	(123)

Profit / (loss) per share from both total and continuing operations:

	Notes	2013 Pence	2012 Pence
Basic earnings / (loss) per share	7	2.9	(0.4)
Diluted earnings / (loss) per share	7	2.8	(0.4)

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

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

Consolidated balance sheet
31 December 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	869	760
Goodwill	9	18,876	14,005
Intangible assets	9	1,690	-
Deferred tax assets	16	10	224
Total non-current assets		21,445	14,989
Current assets			
Trade and other receivables	12	24,135	20,687
Cash at bank and in hand	13	1,063	589
Total current assets		25,198	21,276
Total assets		46,643	36,265
Liabilities			
Current liabilities			
Trade and other payables	14	(14,975)	(11,807)
Borrowings	15	(10,065)	(4,985)
Current tax payable		(1,222)	(323)
Total current liabilities		(26,262)	(17,115)
Total liabilities		(26,262)	(17,115)
Net assets		20,381	19,150
Equity			
Share capital	18	340	332
Share premium account		10,364	9,844
Capital redemption reserve		12	12
Retained earnings		9,194	8,823
Share-based payment reserve		1,154	839
Share buyback reserve		(666)	(666)
Total issued share capital and reserves attributable to the owners of the parent		20,398	19,184
Non-controlling interests	25	(17)	(34)
Total equity		20,381	19,150

The financial statements of InterQuest Group plc, registered number 04298109 were approved by the Board of Directors on 5th March 2014.

Signed on behalf of the Board of Directors

M R S Joyce

Director

Consolidated statement of changes in equity
For the year ended 31 December 2013

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Share-based payment reserve £'000	Share buy back reserve £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2012	321	9,370	12	9,777	733	(666)	(47)	19,500
Comprehensive income								
(Loss) / profit for the year	-	-	-	(141)	-	-	18	(123)
Total comprehensive (expense) / income for the year	-	-	-	(141)	-	-	18	(123)
Transactions with owners								
Movement in share-based payment reserve	-	-	-	-	106	-	-	106
Issue of share capital	11	474	-	-	-	-	-	485
Dividends relating to 2012	-	-	-	(813)	-	-	(5)	(818)
Total contributions by and distributions to owners	11	474	-	(813)	106	-	(5)	(227)
Balance at 31 December 2012	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 charge	-	-	-	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

Consolidated cash flow statement
For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Profit / (loss) after taxation		1,006	(123)
Adjustments for:			
Depreciation	2	288	265
Impairment on intangible assets	2	-	1,616
Refund of purchase consideration	3	-	(1,000)
Gain on disposal of subsidiary (net)	10	(249)	-
Share-based payment charge	2	315	106
Finance costs	5	249	262
Amortisation	2	33	542
Income tax expense / (credit)	6	423	(273)
Decrease in trade and other receivables		328	1,304
Decrease in trade and other payables		(1,077)	(797)
Cash generated from operations		1,316	1,902
Income taxes paid		-	(974)
Net cash from operating activities		1,316	928
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(315)	(218)
Acquisition of subsidiarys, net of cash acquired	11	(4,636)	-
Net cash inflow from disposal of subsidiary	10	98	-
Refund of purchase consideration	3	-	1,000
Net cash received (used in) / from investing activities		(4,853)	782
Cash flows from financing activities			
Proceeds from issue of share capital		28	485
Net increase / (decrease) in discounting facility		5,080	(783)
Interest paid	5	(249)	(262)
Dividends paid	24	(848)	(818)
Net cash generated from / (used in) financing activities		4,011	(1,378)
Net increase in cash, cash equivalents and overdrafts		474	332
Cash, cash equivalents and overdrafts at beginning of year	13	589	257
Cash, cash equivalents and overdrafts at end of year	13	1,063	589

Notes to the consolidated financial statements for the year ended 31 December 2013

1. Revenue and segmental reporting

For management reporting purposes the Group is organised by individual specialist business units. All business units, with the exception of PayQuest Group Limited (which was disposed of on 1st May 2013), provide contract and permanent recruitment services. Our UK recruitment businesses have similar economic characteristics and are considered to meet the aggregation criteria of IFRS. They are analysed below with respect to the market segments where they focus their activities – Private Sector Financial Services, Private Sector Non-Financial Services (described as 'Other') and Public Sector focused. PayQuest Group Limited is shown as a separate reportable segment because it does not provide recruitment services it provides payroll services to contractors.

The information provided below is consistent with the information provided to the Groups chief operating decision maker.

2013	Private other £'000	Private financial services £'000	Public sector £'000	International £'000	PayQuest payroll services £'000	Intercompany trading £'000	Total £'000
Revenue	55,098	37,503	20,613	1,085	2,788	(2,228)	114,859
Gross profit	10,722	3,741	2,461	528	68	(130)	17,390
EBITA per management accounts	836	945	988	(298)[1]	30 [2]	-	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 from sale of PayQuest	249
Acquisition costs	(103)
Finance costs	(249)
Profit before tax	1,429

[1] Our International segment comprises our Singapore office opened in late 2011 and restructured in 2013.

[2] PayQuest Group Limited, our payroll services business, is shown separately because it does not provide recruitment services. This subsidiary was disposed of on 1st May 2013.

PayQuest Group Limited is not material to the Group and as such has not been disclosed as discontinued operations.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

1. Revenue and segmental reporting (continued)

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) for the purpose of making decisions about allocation of resources.

2012	Private other £'000	Private financial services £'000	Public sector £'000	International £'000	PayQuest payroll services £'000	Intercompany trading £'000	Total £'000
Revenue	50,326	42,274	17,772	998	7,369	(6,086)	112,653
Gross profit	9,471	4,289	1,901	724	181	(192)	16,374
EBITA per management Accounts	748	1,208	580	(724) [1]	(8) [2]		1,804

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

- share-based payment charge	(106)
- non-recurring items	(674)
- amortisation of intangible assets	(542)
- impairments of goodwill	(1,616)
Statutory operating loss	(1,134)
Refund on purchase consideration	1,000
Finance costs	(262)
Loss before tax	(396)

[1] Our International segment comprises our Singapore office opened in late 2011 and an International desk based in London which was opened and closed in 2012.

[2] PayQuest Group Limited, our payroll services business, is shown separately because it does not provide recruitment services.

	Revenue		Gross profit	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Permanent	5,586	5,169	5,586	5,169
Contract	109,273	107,484	11,804	11,205
	114,859	112,653	17,390	16,374

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 (2012: no client represented more than 10%).

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

2. Administrative expenses

Administrative expenses include the following:

	2013 £'000	2012 £'000
Auditors' 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	-
Total non-audit fees	4	-
Total auditors remuneration	89	85
Amortisation of intangible assets (see note 9)	33	542
Depreciation (see note 8)	288	265
Non-recurring items (see note 3)	621	674
Impairments (see note 3)	-	1,616
Operating lease rentals – land and buildings	587	532
Share-based payment charge	315	106
Foreign currency (gain) / loss	(30)	11

3. Non-recurring items

The below represent non-recurring items in the 2013 financial statements:

	2013 £'000	2012 £'000
Restructuring costs	(225)	(674)
Tax on restructuring costs	62	165
Restructure and downsize of Singapore operations	(396)	-
Tax on Singapore restructure costs	5	-
Impairment of goodwill, intangible assets and other assets	-	(1,616)
Deferred tax credit on impairment of intangibles	-	229
Repayment of purchase consideration	-	1,000
Over-provision of tax in prior year	-	139
Profit from sale of PayQuest Group Limited	249	-
Acquisition costs	(103)	-
	(408)	(757)

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

3. Non-recurring items (continued)

Restructuring costs

In 2012, the Group reorganised from affiliated IT businesses into clearly defined specialist businesses utilising a common methodology, a single operating platform and new IQ branding. The final piece of this reorganisation was to restructure our finance department in the first half of 2013 which included upgrading our general ledger system and exiting several long serving members of the finance team. The one-off costs associated with this were £225k.

In December 2013, we restructured and downsized our operations in Singapore, at a cost of £396k. The business was established in late 2011 and has consistently failed to meet expectations.

Profit from sale of PayQuest Group Limited

PayQuest Group Limited (“PayQuest”) was established in 2010 as a new business within the Group. PayQuest provides payroll services to information technology consultants working on contract assignments. This is not a core activity for the Group as we seek to focus our efforts more narrowly on high value niche recruitment.

Consequently, we disposed of the business to a specialist payroll services provider on 1st May 2013 for £314k comprising £300k for the business and £14k for the net assets in the completion balance sheet. After associated fees and bonuses the Group has recorded a one-off profit of £249k in this reporting period.

Acquisition of ECOM Recruitment Limited

On 26th November the Group acquired 100% of the ordinary share capital of ECOM Recruitment Limited. The Group incurred one-off legal and consultancy fees of £103k in relation to this acquisition.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

4. Directors and employees

Staff costs including Directors during the year were as follows:

	2013 £'000	2012 £'000
Wages and salaries	8,156	8,014
Social security costs	897	876
Other pension costs	123	79
Share-based payment charge	315	106
	9,491	9,075

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

	2013 Number	2012 Number
Recruitment consultants	178	183
Administration	40	40
	218	223

Remuneration in respect of directors was as follows:

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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

4. Directors and employees (continued)

2012	Salary and fees £'000	Benefits £'000	Bonuses £'000	Compensation for loss of office £'000	Total £'000	Pensions £'000	Total £'000
Executive Directors							
G P Ashworth	88	2	-	-	90	-	90
M A Braund	227	3	35	-	265	7	272
M R S Joyce	144	3	72	-	219	-	219
A W Found	70	-	-	40	110	-	110
G C Goldsmith	167	-	-	44	211	-	211
Non-Executive Director							
P M L Frew	20	-	-	-	20	-	20
	716	8	107	84	915	7	922

All bonuses shown above are payable in cash.

At 31 December 2013 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.

On 14th 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 14th March 2012 to 1st 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 31st December 2013, 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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

4. Directors and employees (continued)

On a change of control the Directors are entitled to receive shares on a ratcheted scale between the levels shown above.

The Company's share price has ranged from a low of 48.5 pence to a high of 96.0 pence during the year with a closing price of 89.5 pence at 31st December 2013.

5. Finance costs

	2013 £'000	2012 £'000
Interest payable on borrowings	249	262

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

6. Income tax expense

	Before non-recurring items £'000	Non-recurring items £'000	2013 £'000	2012 £'000
Current tax				
Corporation tax on profits for the year	598	(67)	531	347
Adjustments in respect of prior periods	(114)	-	(114)	(243)
Total current tax	484	(67)	417	104
Deferred tax				
Origination and reversal of temporary difference	(103)	-	(103)	(399)
Adjustment in respect of prior periods	109	-	109	22
Total income tax expense	490	(67)	423	(273)

	Before non-recurring items £'000	Non-recurring items £'000	2013 £'000	2012 £'000
Profit/(loss) before taxation	1,904	(475)	1,429	(396)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	443	(111)	332	(97)
Effects of:				
Refund of purchase consideration	-	-	-	(245)
Net effect of tax losses in the year	67	87	154	136
Expenses not deductible for tax purposes	34	27	61	24
Income not taxable	-	(70)	(70)	-
Tax deduction on exercise of share options	(33)	-	(33)	(31)
Temporary difference with respect to share-based payment charge	17	-	17	(113)
Other tax adjustments	-	-	-	(5)
Over provisions in prior years	(5)	-	(5)	(242)
Impairment of intangible asset	-	-	-	300
Effect of change in tax rates	(33)	-	(33)	-
Total income tax expense	490	(67)	423	(273)

Finance Act 2013 reduced the main rate of UK corporation tax to 21.0% effective from 1st April 2014 and 20.0% effective from 1st April 2015. These changes have been substantively enacted at the balance sheet date and are therefore reflected in these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

7. Earnings / (loss) per share

The calculation of the basic profit / (loss) 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 profit / (loss) per share is based on the basic profit / (loss) 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.

	2013 £'000	2012 £'000
Profit / (loss) for the year attributable to the owners of the company	972	(141)
Adjustments to basic earnings		
Intangible assets amortisation	33	542
Deferred tax credit on intangible asset amortisation	(7)	(133)
Share-based payment charge	315	106
Deferred tax charge/(credit) on share-based payment charge	(16)	(115)
Refund of purchase consideration	-	(1,000)
Restructuring items	225	674
Tax on restructuring items	(62)	(165)
Restructure and downsize of Singapore operations	396	-
Tax on restructure of Singapore costs	(5)	-
Impairment of goodwill, intangible assets and other assets	-	1,616
Profit on sale of subsidiary	(249)	-
Deferred tax credit on impairment of intangible assets	-	(229)
Adjusted earnings attributable to the owners of the company	1,602	1,155

	2013 £'000	2012 £'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	33,391,693	32,866,301
Weighted average number of share options in issue	1,405,740	963,253
Weighted average number of ordinary shares for the purposes of diluted earnings per share	34,797,433	33,829,554

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

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

	Pence	Pence
Profit / (loss) per share		
Basic earnings / (loss) per share	2.9	(0.4)
Diluted earnings / (loss) per share	2.8	(0.4)
Adjusted earnings per share		
Basic earnings per share	4.8	3.5
Diluted earnings per share	4.6	3.4

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

8. Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2012	441	1,879	-	2,320
Additions – continuing operations	10	181	27	218
At 31 December 2012	451	2,060	27	2,538
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
Depreciation				
At 1 January 2012	92	1,421	-	1,513
Provided in the year	81	179	5	265
At 31 December 2012	173	1,600	5	1,778
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
Net book value				
At 1 January 2012	349	458	-	807
At 31 December 2012	278	460	22	760
At 31 December 2013	203	649	17	869

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

9. Goodwill and intangible assets

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost			
At 1 January 2012 and 31 December 2012	16,683	6,408	23,091
Amortisation			
At 1 January 2012	2,000	4,928	6,928
Provided in the year	-	542	542
Impairment	678	938	1,616
At 31 December 2012	2,678	6,408	9,086
NBV At 1 January 2013	14,005	-	14,005
Additions from business combinations (see note 11)	4,871	1,723	6,594
Provided in the year	-	(33)	(33)
At 31 December 2013	18,876	1,690	20,566
Net book value			
At 1 January 2012	14,683	1,480	16,163
At 31 December 2012	14,005	-	14,005
At 31 December 2013	**18,876**	**1,690**	**20,566**

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

	2013 £'000	2012 £'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	4,871	-
	18,876	14,005

The additional £1,723k 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 4.9 years remaining as at 31st December 2013.

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 31st December 2013 are that the CGU's will trade in accordance with the 2014 budget, which has a higher financial result than

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

9. Goodwill and intangible assets (continued)

that reported for 2013, followed by 5% growth in sales and 5% growth in costs (from 2014 levels) in subsequent years until 31st December 2018 across all CGU's based on management's experience of the IT recruitment market place. The cash flows are based on a five year life plus a terminal value based on perpetual growth of 2.5% and a weighted average cost of capital ("WACC") of 12.0%.

The discount rate represents the Groups weighted average cost of capital. 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 2014 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. Disposal of subsidiary

On 1st May 2013 the group disposed of its interest in PayQuest Group Limited.
The net assets of PayQuest Group Limited at the date of disposal were as follows:

	1st May 2013 £'000
Trade receivables	60
Cash at bank and in hand	216
Prepayments and accrued income	467
Amounts due from group undertakings	1
Deferred tax asset	2
Current tax payable	(7)
Trade payables	(3)
Accruals and deferred income	(506)
Taxes and social security	(216)
	14
Gain on disposal	300
Total consideration	314
Satisfied by:	
Cash and cash equivalents	314
	314

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

10. Disposal of subsidiary (continued)

Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	**314**
Less: cash and cash equivalents disposed of	**(216)**
	98

Reconciliation of profit on disposal:

Gain on disposal	**300**
Less costs incurred	**(51)**
	249

There were no disposals of subsidiaries made in 2012.

The impact of PayQuest Group Limited on the group's results in the current and prior periods is disclosed in note 3.

11. Acquisition of subsidiary

On 26th November 2013 the Group acquired the entire share capital of ECOM Recruitment Limited for a total consideration of £3.0m in cash, £0.5m in new InterQuest Group shares issued at 89.5 pence each and a maximum of £3.5m in deferred consideration, which is payable only if the profits meet the target level agreed by both parties. An adjustment was made to the book values of the assets and liabilities acquired in order to present the net assets at fair values. The fair value of the contingent consideration liability initially recognised reflects management's estimate at 31st December 2013 based on current results and forecasts. The goodwill recognised relates to expected synergies to be achieved as a result of combining the operations of the business. None of the goodwill is expected to be deductible for income tax purposes.

	Book value £'000	Adjustments £,000	Provisional fair values £'000
Tangible assets	**114**	**(19)**	**95**
Intangible assets	**-**	**1,723**	**1,723**
Deferred tax on intangible assets	**-**	**(396)**	**(396)**
Trade and other receivables	**4,305**	**-**	**4,305**
Borrowings	**(1,596)**	**-**	**(1,596)**
Trade and other payables	**(1,746)**	**(216)**	**(1,962)**
Total	**1,077**	**1,092**	**2,169**
Total net assets acquired			**2,169**
Goodwill arising on acquisition			**4,871**
			7,040

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

11. Acquisition of subsidiary (continued)

Discharged by:	
Initial consideration in cash	**3,040**
Initial consideration in shares	**500**
Deferred consideration	**3,500**
	7,040

Cash and cash equivalent balances acquired in the acquisition were £0.67m. Acquisition-related costs included in non-recurring costs (note 3) amount to £0.10m.

ECOM Recruitment Limited contributed £1.57m revenue and £0.56m to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of ECOM Recruitment Limited had been completed on the first day of the financial year, group revenues for the period would have been £130.0m and group profit before tax would have been £2.81m.

12. Trade and other receivables

	2013 £'000	2012 £'000
Gross trade receivables	21,025	17,409
Provisions	(745)	(601)
Net trade receivables	20,280	16,808
Prepayments and accrued income	2,968	3,095
Other current assets	887	784
	24,135	20,687

Included within gross trade receivables is £10.0m (2012: £5.0m) 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.

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

	2013 £'000	2012 £'000
Not more than 30 days	11,262	15,007
More than 30 days but less than 60 days	6,632	1,957
More than 60 days but less than 90 days	2,516	442
More than 90 days	615	3
	21,025	17,409

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

12. Trade and other receivables (continued)

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

	2013 £'000	2012 £'000
Provision for receivables impairment at 1 January	601	676
Arising from acquisition	15	-
Amounts released in the year	(5)	(105)
New provision in the year	134	30
Provision for receivables impairment at 31 December	745	601

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 £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 15).

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 £10 million, and the carrying amount of the associated liabilities is £10 million.

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

	2013 £m
Fair value of the transferred assets	10
Fair value of the associated liabilities	(10)
Net position	-

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

13. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash and cash equivalents	1,063	589

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

14. Trade and other payables

	2013 £'000	2012 £'000
Trade payables	6,137	7,170
Other tax and social security	447	870
Other payables	1,401	1,308
Accruals and deferred income	3,490	2,459
Deferred consideration	2,160	-
Contingent consideration	1,340	-
	14,975	11,807

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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

15. Financial liabilities - borrowings

	2013 £'000	2012 £'000
Less than one year		
Invoice discounting facility	10,065	4,985

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, Fulcrum Telecom Limited, Korus Recruitment Group Limited, Mint Recruitment Solutions Limited and ECOM Recruitment Limited. The facility allows drawdown to a maximum of £15m and is renewable on a six month rolling basis, most recently renewed on 26th November 2013.

16. 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:

2013	Asset £'000	Liability £'000	Net £'000
Depreciation charged in excess 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

2012	Asset £'000	Liability £'000	Net £'000
Depreciation charged in excess of capital allowances	28	-	28
Tax losses carried forward	21	-	21
Deferred tax on employee share options	162	-	162
Other timing differences	13	-	13
Asset at 31 December 2012	224	-	224

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

At the balance sheet date, the group has unused tax losses of £0.3m (2012: £0.6m) 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.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

16. Deferred income tax assets and liabilities (continued)

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

	2013 £'000	2012 £'000
Asset / (liability) at 1 January	224	(153)
Credit / (charge) to income statement (note 6)	(6)	377
Credit to equity	200	-
Owned by subsidiaries acquired	(15)	-
Owned by subsidiaries sold	3	-
Arising on acquisition	(396)	-
Asset/(liability) at 31 December	10	224

17. Employee benefits

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

	2013 £'000	2012 £'000
Defined contributions	123	79

Equity-settled share-based payments:

	Options	2013 Weighted average exercise price	Options	2012 weighted average exercise price
Outstanding at beginning of the year	3,035,324	£0.18	1,794,572	£0.37
Granted during the year	1,940,194	£0.01	1,762,502	£0.01
Granted during the year	66,000	£0.60	-	-
Granted during the year	12,000	£0.55	-	-
Forfeited during the year	(1,984,985)	£0.05	(288,750)	£0.55
Exercised during the year	(254,000)	£0.01	(233,000)	£0.01
Outstanding at end of year	2,814,533	£0.20	3,035,324	£0.18
Exercisable during the year	1,039,326	£0.51	1,449,326	£0.61
Exercisable at the year end	1,176,500	£0.35	1,312,733	£0.51
Weighted average remaining contractual life of options outstanding at the end of the year	7.3 years		7.6 years	

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

17. Employee benefits (continued)

The options outstanding at 31 December 2013 had an exercise price ranging from £0.01 to £1.17 (2011: £0.01 to £1.17). The estimated fair value of the options granted in the year was £1,228,919 (2012: £634,000). Fair value is the value of the options at the date of grant based on their exercise price. Expected volatility was calculated by using a suitable competitor's previous share price for the two years prior to the grant of the options. The weighted average share price during the year was £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
5 January 2005	30,000	35p	5 January 2007	5 January 2015
14 June 2005	85,000	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	80,000	52p	1 March 2008	1 March 2016
15 June 2006	127,500	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	50,000	100p	22 October 2009	22 October 2017
23 December 2008	83,839	1p	1 January 2012	23 December 2018
16 October 2009	386,000	1p	16 October 2012	16 October 2019
28 June 2013	50,000	1p	1 June 2014	1 June 2024
28 June 2013	15,000	60p	1 July 2014	1 July 2024
28 June 2013	743,700	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	270,000	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
	2,724,533			

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

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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

17. 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:

	2013 £'000	2012 £'000
Weighted average share price	£0.61	£0.37
Weighted average exercise price	£0.03	£0.01
Expected volatility	30%	38%
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 2013 is £237k (2012: £62k).

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 2013 was £77k (2012: £100k).

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

18. Share capital

	2013 £'000	2012 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
As at 1 January 2013:		
33,156,273 ordinary shares of 1p each	332	
Issue of share capital	8	
	340	
As at 31 December 2012:		
33,156,273 ordinary shares of 1p each	332	
As at 31 December 2013:		
34,054,432 ordinary shares of 1p each:	340	

During the year the total allotted and fully paid up shares in issue increased by £8,227. The total premium received in relation to these shares included £25,800 from employee's and £494,413 in relation to the shares issued to the Directors of ECOM Recruitment Limited as part of purchase consideration (see note 11).

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

	Directors	Employees	Total
Issues:			
Issued on 22 April 2013	-	194,000	194,000
Issued on 13 September 2013	-	70,000	70,000
Issued on 3 December 2013	-	558,659	558,659
	-	822,659	822,659

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.

	2013 £'000	2012 £'000
Total debt	10,065	4,985
Less: Cash and cash equivalents	(1,063)	(589)
Net debt	9,002	4,396

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

19. Operating leases

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

	Land and buildings 2013 £'000	Land and buildings 2012 £'000
Between one and five years	1,097	1,622
	1,097	1,622

20. Capital commitments

The Group had no capital commitments at 31 December 2013 or 31 December 2012.

21. 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	2013 £'000	2012 £'000	Directors involved
Vail Securities Limited	Business expenses	-	24,038	G P Ashworth
Shillingridge Limited	Business expenses	15,011	-	G P Ashworth
Claire Ashworth	Employment remuneration	2,500	-	G P Ashworth
Lyn Braund	Photography	15,975	750	M A Braund
Explosive Titles	Website Development	61,320	-	P M L Frew
Deirdre O'Shaughnessy	Employment remuneration	2,500	-	M R S Joyce

No amounts were outstanding at 31 December 2013 or 31 December 2012.

As at 31 December 2013 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 as follows:

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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

21. Related party transactions (continued)

2012

Dividends declared	Date paid	Gary Ashworth £	Mark Braund £	Michael Joyce £	Alan Found £	Paul Frew £	Gary Goldsmith £
2.0 pence per share	12 April 2012	252,458	7,500	5,717	4,520	800	-
0.5 pence per share	26 October 2012	63,240	2,056	1,179	1,130	200	3,344
		315,698	9,556	6,896	5,650	1,000	3,344

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

	Korus Recruitment Group £	Fulcrum Telecom Ltd £
Central recharges	82,816	46,659

Amounts due to the Parent at 31 December 2013 from subsidiaries not 100% owned were as follows:

Korus Recruitment Group £	Fulcrum Telecom Ltd £
344,863	574,902

Amounts due from the Parent at 31 December 2013 from subsidiaries not 100% owned were as follows:

Korus Recruitment Group £	Fulcrum Telecom Ltd £
80,504	465,569

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.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

21. Related party transactions (continued)

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

	2013 £'000	2012 £'000
Salaries and other short-term employee benefits	1,768	2,029
Loss of office	-	84
Share-based payments	227	54
	1,995	2,167

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

22. Events after the balance sheet date

There were no material events after the reporting date.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

23. Financial risk management

Interest rate sensitivity

At 31 December 2013, the Group is exposed to changes in market interest rates through its invoice factoring facilities, which are subject to variable interest rates of 1.85% 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% (2012: +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.

	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net result for the year	(318)	53	(334)	56
Equity	(318)	53	(334)	56

Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of trade receivables. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. 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 12 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 2013 (continued)

23. Financial risk management (continued)

Analysis of the Group's contractual maturities of liabilities is set out in note 15.

	2013 £'000	2012 £'000
Loans and receivables	24,311	20,492
Total financial assets	24,311	20,492

	2013 £'000	2012 £'000
Current assets		
Trade receivables	20,280	16,808
Prepayments and accrued income	2,968	3,095
Cash and cash equivalents	1,063	589
	24,311	20,492

	2013 £'000	2012 £'000
Financial liabilities measured at amortised cost	21,093	15,922

	2013 £'000	2012 £'000
Current liabilities		
Borrowings	10,065	4,985
Trade payables	6,137	7,170
Other payables	1,401	1,308
Accruals and deferred income	3,490	2,459
	21,093	15,922

24. Dividends paid

	2013 £'000	2012 £'000
Dividends paid during the year of 2.5 pence per share	848	818

The directors proposed a second interim dividend of 2.0 pence per share to be paid on 17th April 2014 (2012: 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 2013 (continued)

25. Non-controlling interests

	£'000
Balance at 1 January 2012	(47)
Share of profit for the year	18
Payment of dividends	(5)
Balance at 31 December 2012	(34)
Share of profit for the year	34
Payment of dividends	(17)
Balance at 31 December 2013	(17)

The Group holds 50.1% of the nominal value of the share capital of Korus Recruitment Group Limited and 67.5% of Fulcrum Telecom Limited. The above non-controllong 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 2013 which comprise the Parent Company Balance Sheet, and the related notes 1 to 16. 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 2013 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 2013.

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

5th March 2014

Principal accounting policies
Year ended 31 December 2013

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".

Principal accounting policies (continued)
Year ended 31 December 2013

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.

Parent company balance sheet

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	1	-	117
Investments	2	30,281	23,291
		30,281	23,408
Current assets			
Debtors	3	6,366	8,236
Cash at bank and in hand	4	11	-
		6,377	8,236
Overdrafts		-	(56)
Creditors: amounts falling due within one year	5	(25,831)	(19,491)
Net current liabilities		(19,454)	(11,311)
Total assets less current liabilities and net assets		10,827	12,097
		10,827	12,097
Capital and reserves			
Called up share capital	7	340	332
Share premium account	8	10,364	9,844
Capital redemption reserve	8	12	12
Profit and loss account	8	77	2,050
Share-based payment reserve	8	700	525
Share buyback reserve	8	(666)	(666)
		10,827	12,097

These parent company financial statements were approved by the board on 5th March 2014 and were signed on its behalf by:

M R S Joyce
Finance Director

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

Company registration number: 04298109

Notes to the parent company financial statements
For the year ended 31 December 2013

1. Tangible fixed assets

	Computer equipment £'000	Total £'000
Cost		
As at 1 January 2013	373	373
Disposals	(373)	(373)
As at 31 December 2013	-	-
Depreciation		
As at 1 January 2013	256	256
Disposals	(256)	(256)
As at 31 December 2013	-	-
Net book value		
At 31 December 2013	-	-
At 31 December 2012	117	117

2. Investments

	Total £'000
Net book value	
As at 1 January 2013	23,291
Investment in ordinary share capital of ECOM Recruitment Limited	7,040
Impairment of investment in IQ Asia Pte	(50)
Net Book Value as at 31 December 2013	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. Management consider that as the warranty agreement was settled on 9 November 2012 the amount should be adjusted to reduce the fair value of consideration paid.

Notes to the parent company financial statements (continued)
For the year ended 31 December 2013

2. 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 Connection 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 67.5% of Fulcrum Telecom Ltd, 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),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 2013 and 31 May 2013 respectively have been used, and appropriate adjustments have been made for the effects of significant transactions between these dates and 31st December 2013.

Notes to the parent company financial statements (continued)
For the year ended 31 December 2013

3. Debtors

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	6,366	7,721
Prepayments and accrued income	-	120
Other debtors	-	51
Taxation and social security	-	337
Deferred tax asset	-	7
	6,366	8,236

4. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank	11	-

5. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	-	178
Amounts owed to Group undertakings	24,489	19,008
Deferred consideration	1,340	-
Corporation tax	2	4
Other creditors	-	301
	25,831	19,491

Notes to the parent company financial statements (continued)
For the year ended 31 December 2013

6. Deferred taxation asset

	£'000
Asset at 1 January 2013	7
Movement during the year	(7)
Asset at 31 December 2013	-

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

	2013 £'000	2012 £'000
Other timing differences	-	7

7. Share capital

	2013 £'000	2012 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800

Allotted, called up and fully paid:	
As at 1 January 2012:	
33,156,273 ordinary shares of 1p each	332
Issue of share capital	8
	340
As at 31 December 2012:	
33,156,273 ordinary shares of 1p each	332
As at 31 December 2013:	
34,054,432 ordinary shares of 1p each:	340

During the year the total allotted and fully paid up shares in issue increased by £8,227. The total premium received in relation to these shares included £25,800 from employee's and £494,413 in relation to the shares issued to the Directors of ECOM Recruitment Limited as part of purchase consideration (see note 11 in the notes to the consolidated financial statements).

Notes to the parent company financial statements (continued)
For the year ended 31 December 2013

8. Share premium account and reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Share-based payment reserve £'000	Share buyback reserve £'000
As at 1 January 2013	9,844	12	2,050	525	(666)
Issue of share capital	520	-	-	-	-
Loss for the year pre-impairment	-	-	(33)	-	-
Dividends paid	-	-	(831)	-	-
Impairment of investment and receivable	-	-	(1,109)	-	-
Share-based payment charge	-	-	-	175	-
As at 31 December 2013	10,364	12	77	700	(666)

9. Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Loss for the year	(33)	(387)
Impairment of investment and receivable	(1,109)	(1,000)
Issue of shares	8	11
Share premium	520	474
Share-based payment reserve	175	111
Dividends paid	(831)	(813)
Net (decrease) in shareholders' funds	(1,270)	(1,604)
Shareholders' funds at 1 January	12,097	13,701
Shareholders' funds at 31 December	10,827	12,097

10. Capital commitments

The company had no capital commitments at 31 December 2013 or 31 December 2012.

11. Contingent liabilities

There were no contingent liabilities at 31 December 2013 or 31 December 2012.

Notes to the parent company financial statements (continued)
For the year ended 31 December 2013

12. Operating leases

	Land and buildings 2013 £'000	2012 £'000
Within one year		
Between one and five years	437	688

13. Transactions with directors and other related companies

Related party	Nature of business	2013 £'000	2012 £'000	Directors involved
Vail Securities Limited	Business expenses	-	24,038	G P Ashworth
Shillingridge Limited	Business expenses	15,011	-	G P Ashworth
Claire Ashworth	Employment remuneration	2,500	-	G P Ashworth
Lyn Braund	Photography	15,975	750	M A Braund
Explosive Titles	Website Development	61,320	-	P M L Frew
Deirdre O'Shaughnessy	Employment remuneration	2,500	-	M R S Joyce

As at 31 December 2013 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 21 to the consolidated financial statements.

Transactions between the Parent and subsidiaries not 100% owned during the year are set out in Note 21 to the consolidated financial statements.

14. Post balance sheet events

The company had no material post balance sheet events.

15. Profit attributable to the Company and cash flow statement

The loss for the financial year of the Company was £1,141,605 (2012: £1,387,000 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.

16. Dividends paid

	2013 £'000	2012 £'000
Dividends paid during the year of 2.5 pence per share	831	813

The directors propose to pay a second interim dividend of 2 pence per share on 17th April 2014 (2012: 2 pence per share).