Intelect Recruitment PLC

Financial statements

For the period ended 31 December 2007

Company No. 01902866

Company information

Company registration number	01902866
Registered office	16 - 18 Kirby Street London EC1N 8TS
Directors	D Di Domenico M R S Joyce G P Ashworth R D Eades
Secretary	M R S Joyce
Bankers	The Royal Bank Of Scotland Benwell House Green Street Sunbury-On-Thames Middlesex TW16 6QT
Solicitors	Pinsents Dashwood House 69 Old Broad Street London EC2M 1NR
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP

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Report of the directors

The directors present their report and the financial statements of the company for the period from 1 April 2007 to 31 December 2007

Principal activity and business review

The principal activity of the company during the year comprised the provision of IT recruitment solutions The company operates from one UK location Trading for 2007 was in line with expectations and the company plans to continue its organic growth throughout 2008

There was a profit for the period after taxation amounting to £393,745 (2007 £464,628) Particulars of dividends paid and proposed are detailed in note 9 to the financial statements

The dividends paid are as follows

	Period 1 April to 31 December 2007	Year to 31 March 2007
	£	£
Dividends paid on ordinary shares	**1,050,000**	-

Principal business risks

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

Parts of the company's businesses depend on technology systems and services provided by third parties Whilst the company 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 company's business will not be adversely affected In addition, the company may be unable to find adequate replacement services on a timely basis or at all

The company's growth plans will place additional demands on the company's management, customer support, marketing, administrative and technological resources If the company is unable to manage its growth effectively, its businesses, operations and/or financial condition may deteriorate
The company'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 company In addition, the company may be adversely affected by staff turnover at more junior levels The company has endeavoured to ensure that employees at all levels are incentivised, but the retention of such staff cannot be guaranteed

Report of the directors (continued)

Financial risk management objectives and policies

The company uses various financial instruments which include cash, trade debtors, trade creditors and amounts due to and from group undertakings that arise directly from its operations The main purpose of these financial instruments is to finance the company's operations The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below

The main risks arising from the company's financial instruments are interest rate risk, credit risk and liquidity risk The directors review and agree policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years

Interest rate risk

The company is exposed to interest rate fluctuations on its invoice discounting facility The company policy for interest rate management is to maintain a mix of fixed and floating rate borrowings Interest rate risk in respect of debt on the balance sheet is reviewed on a regular basis against forecast interest costs and covenants

Credit risk

The company's principal financial assets are cash and trade debtors The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies The principal credit risk arises, therefore, from trade debtors

In order to manage credit risk, management set limits for customers based on a combination of payment history and third party credit references Credit limits are reviewed by the financial controller on a regular basis in conjunction with debt ageing and collection history

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

The company's policy throughout the year has been to achieve this objective through management's day to day involvement in business decisions rather than through setting maximum or minimum liquidity ratios

Directors

The directors who served the company during the period were as follows

D Di Domenico
M R S Joyce (appointed 05/07/07)
J R Smitham (resigned 05/07/07)
G P Ashworth (appointed 05/07/07)
R D Eades (appointed 05/07/07)

The beneficial interests of the directors in the issued share capital of the company were as follows

Ordinary £1 shares	31 December 2007	31 March 2007 or date of appointment if later
D Di Domenico	-	7,000
M R S Joyce	-	-
G P Ashworth	-	-
R D Eades	-	-

G P Ashworth, M R S Joyce and R D Eades are directors of the ultimate parent company, InterQuest Group plc Their interests in the share capital of that company are shown in its financial statements

Report of the directors (continued)

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit of the company for that year In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable 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 so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps they ought to have taken themselves to be aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for keeping proper accounting records that 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 1985 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

Payment policy and practice

It is the company's 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 the company's policy to abide by those terms

Auditors

Grant Thornton UK LLP were appointed on 5 July 2007 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985 Special notice pursuant to section 388(3) having been given, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting

BY ORDER OF THE BOARD

M R S Joyce
Director
25 July 2008

Report of the independent auditors to the members of Intelect Recruitment PLC

We have audited the financial statements of Intelect Recruitment PLC for the period ended 31 December 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 23 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Report of the independent auditors to the members of Intelect Recruitment Plc

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements for the period ended 31 December 2007

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
LONDON
25 July 2008

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

The principal accounting policies of the company have been applied consistently and remained unchanged from the previous year and are set out below

Turnover

Turnover, which excludes VAT, is derived from the company's provision of IT recruitment solutions

Turnover for temporary contract assignments is recognised over the contract period for the services of the temporary contractor Turnover anticipated, but not invoiced at the balance sheet date, is correspondingly accrued on the balance sheet within "Prepayments and accrued income"

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

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

Fixed assets

All fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Short leasehold properties	–	straight line over the life of the lease
Fixtures, fittings and equipment	–	straight line over 3 and 5 years

Pension costs

The company operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the company The annual contributions payable are charged to the profit and loss account

Deferred taxation

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date Timing differences are differences between taxable profits and the results stated in the financial statements which they arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the resulting gain or loss has been recognised in the

Principal accounting policies

Deferred taxation (continued)

financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the operating profit

Financial 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 entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Leased assets

Where the company enters into a lease which entails substantially all of the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies Future instalments under such leases, net of finance charges, are included within creditors Rental payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding and the capital element which reduces the outstanding obligation for future instalments

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charge against profits on a straight line basis over the period of the lease

Profit and loss account

	Note	For the nine months ended 31 December 2007 £	For the year ended 31 March 2007 £
Turnover	1	**5,329,983**	6,816,959
Cost of sales		**(3,680,478)**	(5,701,428)
Gross profit		**1,649,505**	1,115,531
Other operating charges		**(1,075,153)**	(520,600)
Operating profit	2	**574,352**	594,931
Investment income	3	**-**	8,395
Interest receivable and similar income	6	**6,412**	15,777
Interest payable and similar charges	7	**(14,078)**	-
Profit on ordinary activities before taxation	1	**566,686**	619,103
Tax on profit on ordinary activities	8	**(172,941)**	(154,475)
Profit for the financial year	17	**393,745**	464,628

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

Balance sheet

	Note	As at 31 December 2007 £	As at 31 March 2007 £
Fixed assets			
Tangible assets	10	**41,786**	51,304
Current assets			
Debtors	11	**1,531,486**	1,160,986
Cash at bank		**40,499**	592,155
		1,571,985	1,753,141
Creditors: amounts falling due within one year	12	**(1,125,754)**	(660,173)
Net current assets		**446,231**	1,092,968
Total assets less current liabilities		**488,017**	1,144,272
Provisions for liabilities and charges	13	**(10,728)**	(10,728)
		477,289	1,133,544
Capital and reserves			
Called-up equity share capital	15	**50,000**	50,000
Profit and loss account	16	**427,289**	1,083,544
Shareholders' funds	17	**477,289**	1,133,544

These financial statements were approved by the Board of Directors on 25 July 2008

M R Joyce
Director

Cash flow statement

	Note	For the nine months ended 31 December 2007 £	For the year ended 31 March 2007 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		**574,352**	594,931
Depreciation		**17,315**	21,543
(Increase) / decrease in debtors		**(368,411)**	35,265
Decrease in creditors		**(13,140)**	(328,021)
Increase in provisions		**-**	6,517
Net cash inflow from operating activities		**210,116**	317,201
Cash flow statement			
Net cash inflow from operating activities		**210,116**	317,201
Returns on investments and servicing of finance	18	**(7,666)**	16,350
Taxation		**-**	(133,442)
Dividends paid		**(1,050,000)**	-
Capital expenditure	18	**(7,797)**	(42,848)
		(855,347)	157,261
Management of liquid resources	18	**-**	7,822
(Decrease)/increase in cash in the year		**(855,347)**	165,083
Reconciliation of net cash flow to movement in net funds / (debt)			
(Decrease) / increase in cash in the year		**(855,347)**	165,083
Cash inflow from decrease in liquid resources		**-**	(7,822)
Change in net funds resulting from cash flows		**(855,347)**	157,261
Net funds at 1 April 2007		**592,155**	434,894
Net debt at 31 December 2007		**(263,192)**	592,155

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

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation of the company in the current and prior year have been derived from its principal activity wholly undertaken in the United Kingdom

2 Operating profit

Operating profit is stated after charging/(crediting)

	Period to 31 December 2007 £	Year to 31 March 2007 £
Depreciation and other amounts written off tangible assets	17,315	21,135
Profit on disposal of current asset investments	-	(7,822)
Operating lease rentals		
- Land and buildings	41,761	55,652
Auditors remuneration	7,000	5,507
Loss on disposal of tangible fixed assets	-	408
Profit on foreign currencies	(1,328)	(1,221)

3 Investment income

	Period to 31 December 2007 £	Year to 31 March 2007 £
Income from investments	-	573
Profit on disposal of investments	-	7,822
	-	8,395

Notes to the financial statements

4 Directors and employees

The aggregate payroll costs of persons employed by the company were

	Period to 31 December 2007 £	Year to 31 March 2007 £
Wages and salaries	746,878	951,491
	746,878	951,491

The average number of employees of the company during the year was

	Period to 31 December 2007 Number	Year to 31 March 2007 Number
Management	1	3
Administration	4	4
Consultants	26	25
	31	32

5 Director's emoluments

	Period to 31 December 2007 £	Year to 31 March 2007 £
Remuneration and other emoluments	70,082	158,042

6 Interest receivable and similar charges

	Period to 31 December 2007 £	Year to 31 March 2007 £
Interest receivable and similar charges	6,412	15,777

Notes to the financial statements

7 Interest payable and similar charges

	Period to 31 December 2007 £	Year to 31 March 2007 £
Interest payable and similar charges	**14,078**	-

8 Taxation on ordinary activities

The tax charge is based on the profit for the year and represents

	Period to 31 December 2007 £	Year to 31 March 2007 £
Current tax		
United Kingdom corporation tax at 30% (2007 30%)	**174,153**	156,165
Adjustments in respect of previous periods	**877**	2,521
Total current tax	**175,030**	158,686
Deferred tax		
Origination and reversal of timing differences	**(2,089)**	4,211
Tax on profit on ordinary activities	**172,941**	154,475

(b) factors affecting current tax charge

	Period to 31 December 2007 £	Year to 31 March 2007 £
Profit on ordinary activities before tax	**566,686**	619,103
Profit on ordinary activities multiplied by standard rate of tax in the United Kingdom of 30% (2007 30%)	**170,006**	185,731
Effect of		
Expenses not deductible for tax purposes	**165**	(1,890)
Capital allowances for the period in excess/(less than) depreciation	**1,780**	(3,164)
Loss on sale of fixed assets	**-**	121
Adjustments to tax in respect of prior periods	**877**	2,521
Other including differences in tax rates	**2,202**	-
Marginal relief	**-**	(24,633)
Current tax charge for the period	**175,030**	158,686

Notes to the financial statements

9 Dividends

	Period to 31 December 2007 £	Year to 31 March 2007 £
Equity dividends		
Dividend paid on ordinary shares	**1,050,000**	-

10 Tangible fixed assets

	Short leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
At 31 March 2007	14,000	255,823	269,823
Additions	-	7,797	7,797
At 31 December 2007	14,000	263,620	277,620
Depreciation			
At 31 March 2007	14,000	204,519	218,519
Charge for the year	-	17,315	17,315
At 31 December 2007	14,000	221,834	235,834
Net book value at 31 December 2007	**-**	**41,786**	**41,786**
Net book value at 31 March 2007	-	51,304	51,304

Notes to the financial statements

11 Debtors

	As at 31 December 2007 £	As at 31 March 2007 £
Trade debtors	**838,837**	1,069,785
Amounts owed by group undertakings	**488,014**	-
Other debtors	**3,075**	7,206
Prepayments and accrued income	**199,471**	83,995
Deferred tax asset	**2,089**	-
	1,531,486	1,160,986

Included within trade debtors is £783,080 (2007 £nil) in respect of invoice discounted debts outstanding at the year end The invoice discounting facility is secured by a fixed and floating charge over the assets of the company A debenture dated 9 June 2008 was executed to secure all the company's liabilities to National Westminster Bank plc Accruals owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

12 Creditors: amounts falling due within one year

	As at 31 December 2007 £	As at 31 March 2007 £
Trade creditors	**136,520**	138,576
Amounts owed to group undertakings	**81,528**	-
Corporation tax	**332,337**	157,307
Other taxation and social security	**126,201**	139,653
Directors' accounts	-	2,288
Accruals and deferred income	**145,477**	222,159
Other creditors	-	190
Trade debtor finance facilities	**303,691**	-
	1,125,754	660,173

A cross corporate guarantee and indemnity is in place on the invoice discounting facility between the company, InterQuest Group (UK) Limited, Peopleco Worldwide Limited, Sand Resources Limited and e-CRM People Limited

Notes to the financial statements

13 Provisions for liabilities and charges

	As at 31 December 2007 £	As at 31 March 2007 £
Other provisions	**10,728**	10,728
	10,728	10,728

During the year to 31 March 2007 Intelect Recruitment PLC entered into a new lease for the first floor accommodation of Clarendon House, Manchester Rent became payable six months from the date of possession A provision has been set up to account for this initial rent free period Annual commitments for this accommodation are £29,256 The lease is due to expire on 31 December 2009

14 Deferred taxation

The movement in the deferred taxation provision during the year was

	Period to 31 December 2007 £	Year to 31 March 2007 £
Provision brought forward	**-**	4,211
Deferred tax charge/(credit) in profit and loss	**(2,089)**	(4,211)
Provision carried forward	**(2,089)**	-

15 Share capital

Authorised share capital

	As at 31 December 2007 £	As at 31 March 2007 £
100,000 Ordinary shares of £1 each	**100,000**	100,000

Allotted, called up and fully paid

	2007 No	2007 £	2006 No	2006 £
Ordinary shares of £1 each	**50,000**	**50,000**	50,000	50,000

Notes to the financial statements

16 Reserves

	Profit and loss account £
At 31 March 2007	1,083,544
Retained profit for the period (note 17)	(656,255)
At 31 December 2007	427,289

17 Reconciliation of movements in shareholders' funds

	Period to 31 December 2007 £	Year to 31 March 2007 £
Profit for the year	393,745	464,628
Dividends	(1,050,000)	-
	(656,255)	464,628
Opening shareholders' funds	1,133,544	668,916
Closing shareholders' funds	477,289	1,133,544

18 Gross cash flows

	Period to 31 December 2007 £	Year to 31 March 2007 £
Returns on investments and servicing of finance		
Interest received	6,412	15,777
Interest paid	(14,078)	-
Dividends received	-	573
	(7,666)	16,350
Capital expenditure		-
Payments to acquire tangible assets	(7,797)	(42,965)
Receipts from sales of tangible assets	-	117
	(7,797)	(42,848)
Management of liquid resources		
Receipts from sales of short term investments	-	7,822

Notes to the financial statements

19 Analysis of changes in net funds / (debt)

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	592,155	(551,656)	40,499
Trade debtor finance facilities	-	(303,691)	(303,691)
Net funds / (debt)	**592,155**	**(855,347)**	**(263,192)**

20 Capital commitments

The company had no capital commitments at 31 December 2007 or 31 March 2007

21 Contingent liabilities

There were no contingent liabilities at 31 December 2007 or 31 March 2007

22 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with group undertakings

There were no other related party transactions

23 Ultimate parent company

On 5 July 2007 the company was acquired by InterQuest Group plc for an initial consideration of £3 55m in cash and £0 17m in new InterQuest shares issued at 107 5 pence A maximum further cash consideration of £0 5m is payable in respect of the year to 31 March 2008, together with further amounts of £0 2m and £0 2m payable in respect of the following two years thereafter, in each case provided that certain financial targets are met

The ultimate parent undertaking and controlling party of the company is InterQuest Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements, incorporated in England and Wales Copies of the group accounts can be obtained from the ultimate parent undertakings' registered office