8th March 2011
Embargoed until 07:00

InterQuest Group plc
("InterQuest" or "the Group")

Final Results

InterQuest Group plc (AIM: ITQ), the specialist IT recruitment group, is pleased to announce its audited results for the year ended 31 December 2010.

Financial Highlights

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

Operational Highlights

A return to growth in the majority of markets

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

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

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

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

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Gary Ashworth, Executive Chairman	Caroline Evans-Jones	Marc Young
Michael Joyce, Finance Director	Fiona Conroy	Charlotte Stranner

About InterQuest

The InterQuest Group is a specialist IT recruitment Group providing contract and permanent recruitment services within niche disciplines in the UK and Europe. The Group comprises sixteen separately branded specialist divisions covering a broad range of skill sets and industries including Public Sector, SAP, Oracle, CRM Testing, Banking, Insurance, Retailing, Pharmaceuticals, Media, Analytics, Infrastructure and Communications.

Overview

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

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

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

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

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

Growth in Financial Markets

Our Financial Markets facing divisions have experienced the greatest increase in the level of activity, showing a 29% increase in net fee income. This has been lead by the investment banking community's investment in infrastructure combined with the increasingly demanding compliance and regulatory framework in these markets.

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

Public Sector impacted as anticipated

As expected, our Public Sector focused division has seen a 25% decrease in net fee income. Many of the end applications in which our personnel in the Public Sector are engaged are improving operational efficiencies and helping to deliver cost savings. Therefore the fact that we have noticed a slight improvement since the beginning of the year leads us to be cautiously optimistic for 2011.

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

Strong progress with IQ Equity

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

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

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

iQad Training

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

Intention to recommence M&A programme

The Group grew from a standing start in November 2001 to £105m of revenue in 2008 via acquisitions and organic growth. We paused our acquisition programme during the 2008 to 2009 downturn, choosing instead to secure our existing businesses and recruit experienced individuals from other practices to set up new divisions within IQ Equity. However, with our markets now showing signs of growth, we have recommenced our acquisition plans, seeking opportunities to accelerate our growth through the acquisition of niche-focused, specialist IT recruitment businesses.

Dividend

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

Outlook

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

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

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

Gary Ashworth
Executive Chairman and Chief Executive
8 March 2011

Finance Director's Report

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

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

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

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

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

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

Tax on profits was £0.4m representing an unusually low effective tax rate of 18% (2009: 27%). A detailed analysis is included at note 4.

Earnings per share and dividend

Basic earnings per share increased by 39% to 6.1 pence (2009: 4.4 pence). When the effect of non-cash and non-trading items, being amortisation and the IFRS 2 share based payment charge and the deferred tax credits in respect of the two items are removed, the basic adjusted earnings per share is 8.6 pence representing a increase of 21% from 7.1 pence in 2009. See note 5 for details of the calculation.

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

Balance sheet, cash flow and financing

The Group's net assets increased by £1.1m to £20.9m at 31 December 2010 (2009: £19.8m).

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

Michael Joyce
Finance Director
8 March 2011

Consolidated statement of comprehensive income

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

Earnings per share
from both total and continuing operations:

	Note	Pence	Pence
Basic earnings per share	5	**6.1**	4.4
Diluted earnings per share	5	**5.9**	4.2

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

Consolidated statement of financial position

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

Consolidated statement of changes in equity

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

Consolidated statement of cash flows

	Note	**2010**	2009
		£'000	£'000
Cash flows from operating activities			
Profit after taxation		**1,829**	1,300
Adjustments for:			
Depreciation		**169**	183
Share based payment charge		**182**	103
Finance costs		**191**	127
Amortisation		**1,011**	1,011
Income tax expense	4	**388**	487
(Increase) / decrease in trade and other receivables		**(3,827)**	1,191
Increase / (decrease) in trade and other payables		**2,536**	(263)
Cash generated from operations		**2,479**	4,139
Income taxes paid		**(668)**	(859)
Net cash from operating activities		**1,811**	3,280
Cash flows from investing activities			
Purchase of property, plant and equipment		**(361)**	(74)
Acquisition of subsidiaries, net of cash acquired		**-**	(59)
Payment of deferred consideration		**-**	(200)
Net cash used in investing activities		**(361)**	(333)
Cash flows from financing activities			
Proceeds from issue of share capital		**458**	-
Cost to buy back shares		**(621)**	-
Net increase / (decrease) in discounting facility		**23**	(2,213)
Interest paid		**(191)**	(127)
Dividends paid		**(769)**	(306)
Net cash used in financing activities		**(1,100)**	(2,646)
Net increase in cash, cash equivalents and overdrafts		**350**	301
Cash, cash equivalents and overdrafts at beginning of year	6	**145**	(156)
Cash, cash equivalents and overdrafts at end of year	6	**495**	145

Notes to the consolidated financial statements

1 Nature of operations

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

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

2 Basis of preparation

The financial information in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 December 2010, 31 December 2009 or 31 December 2008 within the meaning of Section 434 of the Companies Act 2006. Group statutory accounts for 31 December 2009 and 31 December 2008 have been delivered to the Registrar of Companies and those for 31 December 2010 will be delivered following the Company's annual general meeting. The auditors have reported on each set of Group statutory accounts and their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985 or Section 498(2) or Section 498(3) of the Companies Act 2006.

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

3 Summary

The same accounting policies, presentation and methods of computation are followed in this condensed consolidated report as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

4 Income tax expense

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

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

5 Earnings per share

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

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

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

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

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

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

6 Cash and cash equivalents

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

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

	2010	2009	2008
	£'000	£'000	£'000
Cash and cash equivalents	**495**	145	11
Bank overdrafts	**-**	-	(167)
	495	145	(156)

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