

CHISBRIDGE

**The Management Team
strongly urges shareholders
to support them and
accept the Offer.**

Response to Defence Document

21 June 2017

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

DEFINED TERMS USED BUT NOT DEFINED IN THIS ANNOUNCEMENT HAVE THE MEANINGS SET OUT IN THE OFFER DOCUMENT

FOR IMMEDIATE RELEASE

The Offer provides shareholders with a certain cash exit now in challenging trading conditions:

1. InterQuest Group faces an **uncertain future** with trading and dividends at risk
2. **BREXIT and economic uncertainties** already beginning to impact
3. It is becoming **increasingly difficult to attract, retain and incentivise revenue earning consultants**. Consultant numbers have been falling and continue to do so
4. **The Offer is from your Management Team** who know the business and key consultants best
5. The Offer value at **42p is at a premium to the historic share** price and reflects the views of providers of external funding of the risks to future trading performance
6. The Offer seeks to **safeguard value for all stakeholders** in the Company

The Management Team notes the announcement released on 15 June 2017 by the Independent Director concerning the defence circular (the "Circular") in connection with the Offer.

In the Circular, the Independent Director has put forward a limited number of reasons why, in his opinion, the Offer should not be recommended to shareholders.

The Management Team responds below to certain of these arguments:

Argument 1

"Chisbridge was formed by the InterQuest executive Management Team who sees value in the business" and which has access to information which is not available to all shareholders.

Management Team Response:

The Management Team acknowledges that, by virtue of their position, they are in possession of information that is not readily available to other InterQuest shareholders. This includes detailed knowledge of the market environment, consultant morale and the competitive environment in which InterQuest operates in attracting, retaining and motivating the consultants who drive the value of the business.

The Management Team is constrained by what it can say in the prevailing regulatory environment, especially with regard to current trading. The trading update released on 15 June 2017 provided some limited detail about the current trading environment and the likely forecast trading performance of the Company. The RNS announcement by SThree plc, a larger peer group company on 16 June 2017, included the following statement:

"UK&I performance as expected adversely impacted by the decision of the UK to leave the EU and Public Sector reforms, with GP down 16%* YoY"

*at constant currency

The RNS announcement by SThree plc defines GP as SThree plc gross profit

Argument 2

The Independent Director believes that the Offer materially undervalues the Company based on its historic share price.

Management Team Response:

The Management Team believes that an historic share price in itself is not a good guide to the likely future value of any company. The future share price performance of InterQuest will be determined, amongst other things, by its financial performance and the prevailing economic environment. In addition, the lack of liquidity in the Company's shares typically means that the price is simply a function of trades completed by small buyers and sellers.

In making the Offer at the Offer Price the Management Team was constrained by the amount of debt which, in the view of its providers of funding, the business could service after the transaction.

The amount of debt which the Management Team believes can be serviced by Chisbridge has been determined principally by the Management Team's views of InterQuest's likely future financial performance. The Management Teams' financial models have been reviewed in detail by the Management Team's funding partners.

The Management Team understands that certain shareholders may wish the Offer to be at a higher price. However in making its offer for the Company, the Management Team is seeking to safeguard the value of the business for all stakeholders in the Company in such economically uncertain times.

The Management Team is confident that those shareholders who are or have been employees of the Company will understand the potential impact of economic uncertainties on staffing organisations and consequent requirement to retain its best people. The Management Team strongly believes that this is best achieved as a private Company.

The Management Team would like to draw Shareholders' attention to the statement in the Circular by the Independent Director set out in the last paragraph of section 1 of Appendix 2 that:

"The Independent Director wants shareholders to have a balanced view on future prospects and to be aware of the cyclical nature of the recruitment sector and the lack of visibility on future earnings. InterQuest is predominantly focused in the UK and there is a high level of political and economic uncertainty around Brexit, IR35 post-election government and the general economic environment that makes future performance very difficult to forecast. Whilst the Company is taking a medium-term view of the future performance of the business, there are still a number of market and political challenges that could affect performance in the short-term."

This statement by the Independent Director provides considerable support for the rationale behind the Offer.

Argument 3

The Independent Director believes that "there are significant benefits to remaining an AIM quoted company"

He believes these benefits include:

i) To attract, incentivise and retain staff

Management Team Response:

The Management Team believes that the significant corporate governance constraints and compliance obligations placed on the Company whilst AIM quoted prevents it from offering competitive incentivisation arrangements to attract and retain staff of an appropriate calibre. The Company is also constrained, whilst being AIM quoted, by the number of options it can grant for its employees. Due to the volatility of the market share price the Group has chosen to resort to offering share options at par value. This places a significant tax burden on the option holder, rendering them, in the opinion of the Management Team, highly unattractive.

A key reason for the Offer is to seek to reverse the decreasing number of consultants (on a like for like basis) being attracted and retained by the Company through incentivisation arrangements which cannot be offered to employees and potential employees whilst InterQuest remains a publicly quoted company.

The current share option scheme has only awarded on average c.£4.2k per employee per year since 2005, using a weighted average tenure of shares. Such incentivisation arrangements are materially below the market norms. In addition to this, 53% of the value of option awards since May 2005 were not taken up, either because they lapsed for non-performance or employees left without being able to exercise them. This further evidences InterQuest's current lack of ability to attract, incentivise and retain key staff, in the opinion of the Management Team.

ii) To provide InterQuest with access to additional capital

Management Team Response:

The Management Team would remind shareholders that, other than at its initial admission to trading on AIM, it has not raised any money from the stock market and has no current intention to do so.

Under the heading ii) above the Circular refers to acquisitions that InterQuest has made, the consideration for which has been paid partly in shares.

The Management Team believes that being AIM quoted with a depressed share price limits the ability to use its shares as consideration in further acquisitions. Furthermore, the Management Team believes that as a result of the greater flexibility in incentivisation arrangements which will be available as a private business, InterQuest's ability to expand its operations organically will be enhanced.

The Management Team strongly urges shareholders to support them and accept the Offer.

A copy of this announcement will be published, made available on Chisbridge's website at www.chisbridge.com and dispatched to shareholders today.

Enquiries

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The directors of Chisbridge accept responsibility for the information contained in this announcement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

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If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

There have been no changes in the information disclosed in any document or announcement previously published by Chisbridge in connection with the Offer which are material in the context of that document or announcement and there have been no material changes to any of the matters listed in Rule 27.2(b) of the Code since the publication of the Offer Document.