

Company Number 2269505

National Quality Assurance Ltd

**Warwick House
Houghton Hall Park
Houghton Regis
Dunstable
LU5 5ZX**

Annual Accounts 2000/2001



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DIRECTORS' REPORT

1. Introduction

The Directors of National Quality Assurance Ltd have pleasure in presenting their report and audited financial statements for the year ended 31 March 2001.

Throughout the report comparative 1999/2000 figures are shown in brackets where appropriate.

2. National Quality Assurance Ltd

Mr D W M Latimer resigned as a Director of the Company at the end of March 2001 on completing his two years as Chairman of the National Inspection Council for Electrical Installation Contracting (NICEIC), the parent Company. Mr T Lane, the new NICEIC Chairman, becomes a Director from 1 April 2001. With effect from April 2001 Mr D L Johnston retires from his position as Director General of NICEIC and is succeeded by Mr J Speirs. Mr J Speirs remains on the NQA Board as a non-executive Director. Mr T J Nash became Managing Director of NQA with effect from 5 March 2001 when Mr D I Wood fulfilled the role of acting Operations Director.

The composition of the Board as at 31 March 2001 is shown on page 4. None of the directors have a beneficial interest in the issued share capital.

3. Company Activity

The principal activity of the Company is the assessment of management systems of applicant companies, and the on-going surveillance of the systems of registered companies, against the requirements of national and international standards, and related training.

4. Share Capital

There were no changes to the capital structure of the Company in the year.

5. New Head Office

NQA moved into its new International Headquarters at

Warwick House, Houghton Regis in July 2000. The 26,000 sq ft building provides modern facilities with adequate room for expansion. It includes a dedicated training facility with a suite of lecture and seminar rooms. Part of the building is also used by NQA's shareholder, NICEIC, for its sales and warehouse operation.

Following the move, with effect from November 2000 the registered office of National Quality Assurance Limited was changed to the new Head Office address, Warwick House, Houghton Hall Park, Houghton Regis, Dunstable, LU5 5ZX.

6. Gift Aid

In March 2001, an interim Gift Aid payment of £900,000 was made to the NICEIC, the Company's Shareholder. A final payment of £150,000 will be made in July 2001, calculated to leave sufficient funds with the Company to meet its working capital requirement. Payment is to be made in two stages to take advantage of the new rules on payment of Gift Aid sums.

7. Company's Finances

The Company's income from assessment fees and other related activities produced a pre-tax profit of £1,126,794. The Board authorised the transfer, by Gift Aid payments, of £1,050,000 to the parent company, the National Inspection Council for Electrical Installation Contracting.

The Auditors' report, together with financial statements for the year ended 31 March 2001, is at Annex A.

By order of the Board

S A Burgess

Company Secretary

14 June 2001

National Quality Assurance Ltd

Financial Statements year ended 31st March

ANNEX A

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Statement of Directors' Responsibilities

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- state whether the financial statements have been prepared in accordance with applicable accounting standards.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Auditors' Report to the Shareholders of National Quality Assurance Limited

We have audited the financial statements of National Quality Assurance Limited for the year ended 31 March 2001 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Shareholder's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgments 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



LONDON, UK
2001

PKF
Registered Auditor

14 June

Profit and Loss Account

Year Ended 31 March 2001

	Notes	2001 £	2000 £
Income	2	8,093,181	7,746,340
Direct Costs	3	2,932,250	2,873,367
		<hr/>	<hr/>
		5,160,931	4,872,973
Administrative Expenses	3	4,185,763	3,823,615
		<hr/>	<hr/>
Operating Profit		975,168	1,049,358
Bank Interest receivable		151,626	137,710
Income from Joint Venture	5	-	15,806
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,126,794	1,202,874
Tax on profit on ordinary activities	6	21,057	18,480
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,105,737	1,184,394
Gift Aid	7	1,050,000	1,185,000
		<hr/>	<hr/>
Retained profit/(loss) for the financial year		55,737	(606)
		<hr/>	<hr/>

The movement on reserves is shown in note 13.

All amounts relate to continuing operations.

The company had no recognised gains and losses other than the profit/(loss) for the year.

Balance Sheet

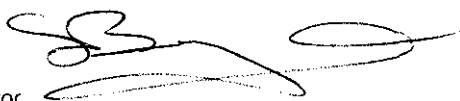
Year Ended 31 March 2001

	Notes	2001		2000	
		£	£	£	£
Fixed Assets					
Tangible Assets	8		580,080		479,198
Investments	9		207,332		78
			<hr/>		<hr/>
			787,412		479,276
Current Assets					
Debtors & Accrued Income	10	949,935		637,259	
Cash at bank and in hand		1,176,840		1,632,629	
		<hr/>		<hr/>	
		2,126,775		2,269,888	
Creditors					
Amounts falling due within one year	11	2,809,890		2,700,604	
		<hr/>		<hr/>	
Net Current Liabilities			(683,115)		(430,716)
			<hr/>		<hr/>
Total Assets Less Current Liabilities			104,297		48,560
			<hr/>		<hr/>
Called Up Share Capital	12		10,000		10,000
Profit & Loss Account	13		94,297		38,560
			<hr/>		<hr/>
Equity Shareholders' Funds	13		104,297		48,560
			<hr/>		<hr/>

Approved by the Board of Directors on 14 June 2001

S A Burgess

Financial Director



Cash Flow Statement

Year Ended 31 March 2001

	Notes	2001 £	2000 £
Net cash flow from operating activities	14	1,096,016	1,281,066
Dividends earned from Joint Venture	5	-	15,016
Returns on Investments and Servicing of Finance	14	151,626	137,710
Taxation	14	(295,079)	(305,369)
Capital Expenditure and Financial Investment	14	(508,352)	(136,545)
		<hr/>	<hr/>
		444,211	991,878
Payment under Gift Aid		(900,000)	(912,450)
		<hr/>	<hr/>
		(455,789)	79,428
Management of liquid resources	14	-	-
		<hr/>	<hr/>
(Decrease)/increase in cash		(455,789)	79,428
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds	15		
(Decrease)/increase in cash in the year			
- being change in net funds		(455,789)	79,428
Net funds at 1 April 2000		1,632,629	1,553,201
		<hr/>	<hr/>
Net funds at 31 March 2001		1,176,840	1,632,629
		<hr/>	<hr/>

National Quality Assurance Ltd

Notes and Accounting Policies 2001

1. Accounting Policies

a. Accounting convention

The financial statements are prepared under the historical cost convention and have been prepared in accordance with applicable accounting standards. Group accounts have not been prepared as the company is entitled to take advantage of the exemption from the requirement to prepare group accounts for the year ended 31 March 2001 under section 248 of the Companies Act 1985 on the grounds that the group is medium sized. The financial statements therefore present information about the company as an individual undertaking and not about its group.

b. Income

Fees and other income are accounted for on the provision of the service, and are exclusive of VAT.

c. Depreciation

Tangible assets are depreciated by equal annual instalments over their useful life: -

Freehold Premises - land not depreciated - building over 25 years

Leasehold Improvements - over the term of the lease

Computer equipment	33% on cost
Office equipment	20% on cost /25% on cost
Fixtures and Fittings	20% on cost /50% on cost

d. Operating Leases

Rental charges arising under operating lease agreements have been charged to the profit and loss account as incurred.

e. Deferred Taxation

Provision is made for deferred tax, using the liability method, in respect of all material timing differences to the extent that it is probable that a liability will crystallise.

f. Pension Costs

The company participates in a contracted out defined benefit scheme operated by the National Inspection Council for Electrical Installation Contracting providing benefits for employees additional to those from the State. The pension costs are charged to the Profit and Loss Account over the average service lives of employee members.

g. Foreign Currencies

Transactions in foreign currencies are translated into sterling at the average rates of exchange for the year. Monetary assets and liabilities are translated into sterling at rates ruling at the balance sheet date. Exchange gains and losses are credited or charged to the profit and loss account in the period in which they arise.

Notes and Accounting Policies

Year Ended 31 March 2001

2. Income	2001	2000
	£	£
Application, Assessment & Surveillance Fees	7,262,733	7,268,164
Sundry Charges	756,019	441,672
Rent Receivable	13,750	17,250
Sundry Sales	60,679	19,254
	<hr/>	<hr/>
	8,093,181	7,746,340

3. Expenditure	2001	2000
	£	£
Direct costs and administrative expenses include the following items:		
Auditors remuneration:		
- Audit	14,350	14,021
- Non Audit	8,480	11,628
Operating Lease Charges:		
- Land & Buildings and others	259,005	152,417
- Plant and equipment	255,586	283,267
Depreciation	180,850	227,550
Loss on sale of fixed assets	19,366	588
	<hr/>	<hr/>

4. Staff	2001	2000
	£	£
Average number of technical and administrative staff employed during the period was 119 (2000: 130)		
Aggregate amounts charged in respect of:		
Wages and Salaries	3,053,850	3,159,443
Agency Salaries	98,378	75,593
Social Security Costs	289,729	286,918
Pension Administration Costs	44,224	18,955
Pension Scheme	394,423	441,516
Healthcare Plan	37,792	34,660
	<hr/>	<hr/>
	3,918,396	4,017,085

4. Staff (cont)	2001	2000
	£	£
Directors Emoluments:		
Total emoluments including benefits	359,361	350,404
	<hr/>	<hr/>
Number of Directors accruing retirement benefit under a defined benefits scheme were	6	6
Emoluments of the highest paid Director	75,887	74,795
Accrued annual pension of highest paid Director as at 31 March 2001	7,298	5,741
Any lump sum entitlement under the pension scheme is by commutation of the annual pension entitlement.		

5. Income from Joint Venture	2001	2000
	£	£
Amount receivable from interest in NQA, USA Inc. – based on the year to 31 January 2000		
Net dividend receivable	-	15,016
Withholding tax suffered	-	(790)
	<hr/>	<hr/>
Gross dividend receivable	-	15,806
	<hr/>	<hr/>

6. Taxation	2001	2000
	£	£
UK Corporation Tax at 20% (1999 21%) on the profit for the year.	19,911	22,199
Prior Year adjustments	1,146	(3,719)
	<hr/>	<hr/>
	21,057	18,480
	<hr/>	<hr/>

7. Gift Aid

A Gift Aid payment to the parent undertaking (NICEIC) of £900,000 (2000: £1,185,000) was made in the year. It is intended that a further Gift Aid payment is made based on the accounts of £150,000.

Notes and Accounting Policies

Year Ended 31 March 2001

8. Fixed Assets - Tangible

	Freehold Land and Buildings £	Short Leasehold - Improvements £	Office Equipment £	Total c/f £
Cost				
At 31 March 2000	227,615	142,475	416,734	786,824
Additions	887	71,603	104,781	177,271
Disposals	-	2,878	1,405	4,283
At 31 March 2001	228,502	211,200	520,110	959,812
Depreciation				
At 31 March 2000	20,338	111,310	369,262	500,910
Provided during the year	10,574	20,113	31,868	62,555
Disposals	-	1,151	452	1,603
At 31 March 2001	30,912	130,272	400,678	561,862
Net Book Value				
At 31 March 2001	197,590	80,928	119,432	397,950
At 31 March 2000	207,277	31,165	47,472	285,914
	Total b/f £	Fixtures and Fittings £	Computer Equipment £	Total £
Cost				
At 31 March 2000	786,824	238,507	327,671	1,353,002
Additions	177,271	82,073	56,408	315,752
Disposals	4,283	59,039	1,275	64,597
At 31 March 2001	959,812	261,541	382,804	1,604,157
Depreciation				
At 31 March 2000	500,910	140,785	232,109	873,804
Provided during the year	62,555	52,027	66,268	180,850
Disposals	1,603	28,230	744	30,577
At 31 March 2001	561,862	164,582	297,633	1,024,077
Net Book Value				
At 31 March 2001	397,950	96,959	85,171	580,080
At 31 March 2000	285,914	97,722	95,562	479,198

Freehold land and buildings includes land at a cost of £70,000 which is not subject to depreciation.

9. Investments	2001	2000
	£	£
The Company has the following interest in dormant subsidiary undertakings:		
NQA Limited (a company incorporated in England and Wales)		
% Equity held	100	100
£1 ordinary shares		
Cost at 31 March 2001	<u>2</u>	<u>2</u>
National Inspection Council Quality Assurance Limited (a company incorporated in Northern Ireland)		
% Equity held	100	100
£1 ordinary shares		
Cost at 31 March 2001	<u>2</u>	<u>2</u>
National Quality Assurance (Scotland) Limited (a company incorporated in Scotland)		
% Equity held	100	100
£1 ordinary shares		
Cost at 31 March 2001	<u>2</u>	<u>2</u>
NQA Training and Development Limited (a company incorporated in Great Britain)		
% Equity held	100	100
£1 ordinary shares		
Cost at 31 March 2001	<u>2</u>	<u>2</u>
Joint Venture	2001	2000
	£	£
NQA, Inc. (a Company incorporated in the United States of America)		
% Equity held	50	50
\$1 ordinary shares		
Cost at 31 March 2001	<u>207,324</u>	<u>70</u>

During the year, the company increased its investment in a US joint venture by \$300,000 (£207,254). As a result, the joint venture was restructured and the company now owns 50% of the share capital of NQA, Inc.

NQA, Inc. owns the entire issued share capital of NQA, USA Inc., NQA Training and Development Inc. and NQA Laboratory Services Inc. The joint venture group carries out certification services, training and laboratory services. The company is entitled to 49.5% of any profits arising from the joint venture.

Previously, the company owned 50% of NQA, USA Inc. and was entitled to 39% of the profits.

Joint Venture (cont)**2001****2000****£****£**

The Company's share of the turnover, assets and liabilities of NQA, Inc. was as follows:

Share of turnover	1,876,787	832,180
Share of profit	15,284	19,387
	<hr/>	<hr/>
Share of fixed assets	146,018	26,955
Share of current assets	596,254	279,266
	<hr/>	<hr/>
	742,272	306,221
	<hr/>	<hr/>
Share of current liabilities	519,755	243,357
	<hr/>	<hr/>
Share of net assets	222,517	62,864
	<hr/>	<hr/>

10. Debtors and Accrued Income**2001****2000****£****£**

Trade Debtors	527,623	284,221
Other Debtors		-
Prepayments & Accrued Income	240,437	320,557
Taxation recoverable	2,952	3,568
Balance due from Joint Venture NQA, USA Inc. – trading balance	178,923	28,913
	<hr/>	<hr/>
	949,935	637,259
	<hr/>	<hr/>

11. Creditors**2001****2000****£****£****Amounts falling due within one year:**

Trade Creditors	191,658	304,564
Other Taxation & Social Security	261,671	507,387
Accruals & Deferred Income	2,305,648	1,772,971
NICEIC – trading balance	31,002	93,483
Corporation Tax	19,911	22,199
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	2,809,890	2,700,604
	<hr/>	<hr/>

12. Share Capital

	2001		2000	
	Authorised	Issued	Authorised	Issued
		£		£
At 31 March 2000	100,000	10,000	100,000	10,000
Change in the year	-	-	-	-
At 31 March 2001	<u>100,000</u>	<u>10,000</u>	<u>100,000</u>	<u>10,000</u>

The company is a wholly owned subsidiary of The National Inspection Council for Electrical Installation Contracting and the issued shares are held in trust for the parent undertaking.

Published accounts for the group and charity are available to the public. Requests in writing to the Company Secretary, NICEIC, Vintage House, Albert Embankment, London SE1 7UJ.

13. Profit and Loss Account

	2001	2000
	£	£
Balance at 31 March 2000	38,560	39,166
Retained profit/(loss) for the year	55,737	(606)
Balance at 31 March 2001	<u>94,297</u>	<u>38,560</u>

The profit for the year represents the only movement on Shareholder's Funds during the year.

14. Notes to the Cash Flow Statement

	2001	2000
	£	£
Reconciliation of operating profit to net cash inflow from operating activities		
Operating Profit	975,168	1,049,358
Depreciation on tangible fixed assets	180,850	227,550
Loss on sale of fixed assets	19,366	588
Increase in Debtors and Accrued Income	(163,282)	(182,121)
Increase in Creditors	296,405	100,984
(Decrease)/Increase in intra - group debt	(212,491)	84,707
Net cash inflow from operating activities	<u>1,096,016</u>	<u>1,281,066</u>

14. Notes to the Cash Flow Statement (cont)

	2001		2000	
	£	£	£	£
Gross cash flow				
Taxation				
Income Tax paid on Gift Aid	(272,550)		(294,400)	
Corporation tax	(22,529)		(10,969)	
Income tax recovered	-	(295,079)	-	(305,369)
Returns on investment and servicing of finance				
Interest received		151,626		137,710
Capital expenditure				
Payments to acquire tangible fixed assets	(315,752)		(136,695)	
Receipt from sales of tangible fixed assets	14,654		150	
Increase in joint venture NQA, Inc.	(207,254)		-	(136,545)
		(508,352)		

15. Analysis of changes in net funds

	As 1 April 2000	Cash Flows	As 31 March 2001
	£	£	£
Cash at bank and in hand	1,632,629	(455,789)	1,176,840

The above includes only those short term deposits which are available for immediate draw down. Longer term deposits are included in management of liquid resources.

16. Operating Lease Commitments

The Company has financial commitments in respect of operating leases. The annual rentals payable under these leases are analysed below:

	2001		2000	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Expiry within one year	8,452	15,243	53,712	21,455
Expiry within two to five years inclusive	295,767	136,041	28,120	209,513
	<u>304,219</u>	<u>151,284</u>	<u>81,832</u>	<u>230,968</u>

17. Status of Company

The company is registered in England and Wales and has the registration number 2269505.

18. Pension Scheme

The company participates in a contracted out defined benefit pension scheme operated by the National Inspection Council for Electrical Installation Contracting providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested by Phillips & Drew Ltd. The pension costs charge represents the contributions payable by the company to the scheme. The contributions are determined by a qualified actuary on the basis of triennial valuation.

A full actuarial valuation of the Pension Scheme took place in March 1999. This was considered by the NICEIC and NQA Board and adjustments made to the contribution levels to ensure the continuing excellent benefits of the scheme. From 1 April 1999 the total required contribution became 20.6% of pensionable salary costs. For the year to 31 March 2001 this was split 6% for employees and 14.6% from the employer. The next actuarial valuation will take place on 31 March 2002.

The pension charge for the period was £438,647 (£460,471).

19. Capital Commitments

At 31 March 2001 there were no capital commitments (2000 nil).

20. Deferred Taxation

At the balance sheet date the company had no potential deferred tax liability.

21. Related Party Transactions

National Quality Assurance Ltd provides to NQA, USA Inc. certification oversight and advice, and processes and issues ISO registration certificates. NQA charges the company an agreed fee for each certificate in place at the beginning of the year and issued during the year, together with the appropriate UKAS levy. Certification fees for the year were £203,962 (£121,281). During the year NQA paid to NQA, USA Inc. £4,764 (£18,892) for assessors services, travel expenses, and other miscellaneous expenses. In the year to 31 March 2001 NQA, USA Inc. paid £22,536 to NQA in respect of 'reimbursable expenditure' for items such as travel expenses, assessor services, training fees and other miscellaneous expenses.

As a wholly owned subsidiary, the company is exempt under Financial Reporting Standard No 8 from disclosing transactions and balances with its parent undertaking and controlling party, NICEIC.