

**Skillsgroup Limited**

**Directors' report and financial statements**

**Year ended 30 November 2002**

**Registered number: 2887505**



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 30 November 2002

### **Principal activities and business review**

The company has not traded in the year and has no income. The only expense borne by the company relates to exceptional charges on the write down on the intercompany debt with QA IT Services Ltd.

The profit and loss account for the year is set out on page 6.

### **Proposed dividend**

The directors do not recommend the payment of a dividend for the year (2001: £nil).

### **Directors and directors' interests**

The directors who held office during the period were as follows:

Dr K Burgess  
CJ Gibson

The directors were remunerated by other group companies and did not receive any emoluments in respect of their qualifying services to this Company. No director held any interest in the shares of the company. The interests of K Burgess and CJ Gibson in the shares of the holding company, QA plc, are disclosed in the financial statements of that company.

### **Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 12 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the next Annual General Meeting.

## **Directors' report (continued)**

### **Statement of directors' responsibilities**

The directors are required by Company law to prepare accounts 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 for that period. In preparing the accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985, and for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that the accounts for the year ended 30 November 2002 comply with these requirements.

By order of the board



**Colin Gibson**  
*Director*  
12 March 2003

QA House  
Delta Office Park  
Welton Road  
Swindon  
Wiltshire SN5 7WZ

## **Independent auditors' report to the member of Skillsgroup Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's member as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with 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 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.

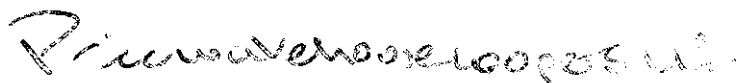
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

### **Fundamental Uncertainty - Going Concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements, "Basis of preparing the accounts – going concern" concerning the uncertainty as to the Company's financial position. For the reasons explained in note 1, the financial statements have been prepared on a going concern basis and accordingly do not include any adjustments that would arise if the Company were unable to continue in operational existence for the foreseeable future. In view of the significance of this fundamental uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

## Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 November 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Manchester  
12 March 2003

**Profit and loss account**

*For the year ended 30 November 2002*

	<i>Note</i>	2002 £000	2001 £000
Net operating expenses	2	(6,888)	-
Operating loss		<u>(6,888)</u>	<u>-</u>
Loss on ordinary activities before taxation		<u>(6,888)</u>	<u>-</u>
Tax on loss on ordinary activities before taxation		-	-
<b>Retained loss for the financial year</b>		<u><u>(6,888)</u></u>	<u><u>-</u></u>

There are no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

**Balance sheet**

*At 30 November 2002*

	<i>Note</i>	<b>2002 £000</b>	<b>2001 £000</b>
<b>Current assets</b>			
Debtors	4	4,743	11,631
<b>Creditors: amounts falling due within one year</b>	5	(4,499)	(4,499)
<b>Net current assets</b>		<u>244</u>	<u>7,132</u>
Total assets less current liabilities		<u>244</u>	<u>7,132</u>
<b>Net assets</b>		<u><u>244</u></u>	<u><u>7,132</u></u>
 <b>Capital and reserves</b>			
Called up share capital	6	4	4
Share premium account	7	25,639	25,639
Profit and loss account	7	(25,399)	(18,511)
<b>Equity shareholder's funds</b>	8	<u><u>244</u></u>	<u><u>7,132</u></u>

These financial statements were approved by the board of directors on 12 March 2003 and were signed on its behalf by:



**Colin Gibson**  
Director

12 March 2003

The notes on pages 8 to 11 form part of these accounts.



## Notes

*(forming part of the financial statements)*

### Principal accounting policies

The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The Company is a wholly owned subsidiary of QA plc and is included in the consolidated financial statements of QA plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities which are 90% or more controlled by QA plc.

### 1 Basis of preparing the accounts – going concern

The going concern assumption has been adopted in preparing these accounts based on assurances of future financial support received from the Company's ultimate parent company, QA plc.

The consolidated accounts of QA plc for the year ended 30 November 2002 contain the following note in relation to the going concern assumption as it applies to that company and the QA plc Group.

"During the year, the Group's principal banker indicated its desire to work with the Group to see a reduction in the level of overall borrowings, an increase in the bank's security cover and a level of returns more commensurate with its lending risks. Consequently, since the year-end, the Board have negotiated new facilities with the bank. The bank have proposed committed facilities ("the facility") for the next three years starting at their present level of £4.3 million, relating to guarantees on existing loan notes, with an agreed programme to eliminate the debt over that period. The facility would be subject to a covenant related to maintaining a minimum daily cleared cash balance. A floating charge has been granted in the bank's favour and the arrangement fee for the facility will be settled effectively through the issue of new QA plc ordinary shares to the bank which represent 3.5% of the ordinary shares presently in issue. The facility is subject to final credit approval by the bank and to the shareholders passing an ordinary resolution at the AGM to amend the company's borrowing powers in its Articles of Association.

The facility is tightly drawn and complying with the covenant is dependent on: -

- the level of operating performance which is difficult to predict in the current economic environment and;
- the timing and amount of the settlement relating to the dispute with the principal vendor of GA Information Services Limited which is described below.

In January 2003, the principal vendor of GA Information Services Limited, a business which the Group purchased in September 1999 but has subsequently sold on, initiated proceedings against certain Group companies in respect of a claim for deferred consideration. The gross consideration claimed is £1.0 million in new bank-guaranteed loan notes and £1.0 million in new QA plc shares to be issued based on the share price at 1 October 2002. The number of new shares which would require to be issued to settle the latter element of the claim in full is 11.4 million, approximately 12.4% of the present issued share capital. The Group's proposed new bank facility does not presently extend to cover the provision of any new loan note guarantees which might be required but this position will be addressed in new negotiations with the bank if the need arises. The Board consider that the GAIS acquisition delivered little of the value it promised to the Group and after taking appropriate legal advice are resisting vigorously the vendor's claims on a number of grounds including counter-claims relating to the level of net assets at completion, warranties and other matters. The balance sheet presently contains full provision for the amounts claimed and the anticipated legal costs of settling this dispute.

## Notes (continued)

In these circumstances, the Group's financial position is not certain. However, the directors believe that the facility will be secured and have a reasonable expectation that the Group will have sufficient working capital for the foreseeable future and will be able to comply with the covenant requirement. Consequently, the directors consider that it is appropriate for the financial statements to be prepared on a going concern basis, which assumes that the Group will remain in operational existence for the foreseeable future. If the Group were unable to continue in existence for the foreseeable future, adjustments would have to be made to the balance sheets of the company and the Group to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities."

### 2 Analysis of net operating expenses

	2002 £000	2001 £000
Administration expenses – exceptional		-
-write down of intercompany debt (note 4)	6,888	-
	<u>6,888</u>	<u>-</u>

### 3 Employee information

The company had no employees in the current year nor in the prior period.

### 4 Debtors

	2002 £000	2001 £000
Amounts due from group undertakings	11,254	11,022
Less: provision	<u>(6,888)</u>	<u>-</u>
Net amounts due from group undertakings	4,366	11,022
Other debtors	377	609
	<u>4,743</u>	<u>11,631</u>

Provision has been made against amounts due from QA IT Services Limited based on calculations of the value of that company's business and an assumption that its value would be applied in repaying debts due to its immediate and ultimate holding company in priority to debts due to other group undertakings. These calculations are consistent with the discounted cash flow valuations applied in the QA plc accounts for the purposes of evaluating the carrying value of goodwill across the QA plc group.

### 5 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Amounts due to group undertakings	4,499	4,499
	<u>4,499</u>	<u>4,499</u>

## Notes (continued)

### 6 Called up share capital

	2002		2001	
	No.	£	No.	£
<b>Authorised</b>				
Class 'A' ordinary shares of £1 each	4,500	4,500	4,500	4,500
Class 'B' ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>
<b>Allotted, called up and fully paid</b>				
Class 'A' ordinary shares of £1 each	3,002	3,002	3,002	3,002
Class 'B' ordinary shares of £1 each	600	600	600	600
	<b>3,602</b>	<b>3,602</b>	<b>3,602</b>	<b>3,602</b>

### 7 Reserves

	Share premium account £000	Profit and loss account £000
At 1 December 2001	25,639	(18,511)
Retained loss for the period	-	(6,888)
<b>At 30 November 2002</b>	<b>25,639</b>	<b>(25,399)</b>

### 8 Reconciliation of movements in shareholder's funds

	2002 £000	2001 £000
Opening shareholder's funds	7,132	7,132
Total retained loss in the year	(6,888)	-
Closing shareholder's funds	<b>244</b>	<b>7,132</b>

### 9 Related party transactions

As a wholly owned subsidiary of QA plc, the company has taken advantage of the exemption contained in FRS 8 and has not therefore disclosed transactions or balances with entities which form part of the group.

## Notes (continued)

### 10 Ultimate parent company

The directors regard QA plc, a company registered in England and Wales, as the ultimate holding company and controlling party.

Copies of the consolidated accounts of QA plc which include the results of QA IT Services Limited and its subsidiary companies can be obtained from QA House, Delta Office Park, Welton Road, Swindon, Wiltshire SN5 7WZ.