



QA-IQ Group Limited (formerly InterQuad Group Limited)

Annual Report and Accounts

Financial period ended 1 June 2007

Company number
05091695

Our Values

The following core values reflect what is truly important to us as an organisation. These values underpin our company culture, transcend our size and our growth, and reflect what is special about our company.

Customer Excellence

Our focus is on delivering the highest quality experience for our customers, throughout their entire journey with QA-IQ.

Empowerment

We believe in empowerment of the individual, trusted to work with initiative, integrity and respect of colleagues and customers alike.

Employee Opportunity

We foster an environment for professional growth and development. We understand that continuous learning will cultivate personal, team and business success.

Achievement

We recognise and celebrate the individual and team achievements of our people and our clients.

Passion

It is the enthusiasm and pride of our passionate QA-IQ team that separates us from our competition.

Contents

01	Introduction to QA-IQ Group	15	Directors' Report
02	Chairman's Introduction	18	Statement of Directors' Responsibilities
04	Financial Highlights	19	Independent Auditors' Report
06	QA-IQ Group - Our Business	20	Consolidated Profit and Loss Account
11	Our People	22	Balance Sheets
12	IQ-Sys - Our Business	23	Consolidated Cash Flow Statement
13	Board of Directors	24	Reconciliation of Net Cash Flow to Movement in Net Debt
14	Corporate Governance Statement	25	Notes to the Consolidated Cash Flow Statement
		26	Notes to the Financial Statements
		46	Officers and Professional Advisers

Introduction to QA-IQ Group

QA-IQ Group is an education-led services Group. All activities are carried out through two operating companies.

QA-IQ Limited provides learning services that transform skills and knowledge and drive business performance.

IQ Sys Limited provides access infrastructure, virtualisation and security solutions to the UK reseller channel.

QA-IQ Group Highlights

- Acquisition and successful integration of former QA plc brings significant new benefits to customers
- Re-branding of business as QA-IQ in October 2006 reflects education focus
- IQ-Sys strengthens position as the UK's leading provider of access infrastructure software solutions
- QA-IQ introduces new services to support customers' learning needs
 - Over 54 new courses introduced across Technical, Professional, Desktop and Management & Personal Development portfolios
 - Award of VMware Authorised Training Centre (VATC) status for delivery of leading virtualisation training
 - Expansion of Management & Personal Development curriculum to support development of employees right across our customers' organisations
 - Evolution of Managed Training Service to help customers realise greater training efficiencies and mature their Learning and Development function
- Investment from Englefield Capital in June 2007 provides financial strength to expand our products and services to meet the needs of our customers
- New Group Board appointments strengthen further the senior management team
- Turnover of £80,534,222
- Operating Profit, before goodwill amortisation and exceptional items, of £2,709,070

Chairman's Introduction

“ I am delighted to report upon another year of significant progress for the business.”

This is the first report to be produced since the Company changed its name to QA-IQ Group Limited, as a result of the re-branding exercise which took place following the consolidation of the businesses of QA and InterQuad in June 2006

The successful integration of the QA plc business, following the acquisition in June 2006, has delivered the benefits anticipated and strengthened enormously the breadth of offering and level of learning services support that we can provide to our customers

QA-IQ Group made excellent progress during the 2006/2007 financial year. QA-IQ Limited, our learning services business, strengthened its position as the UK's number one IT learning services provider

The Company also made good progress towards its objective of being recognised as a supplier of a broad range of learning and training services including

- managed training services
- learning needs analysis
- learning project solutions
- soft skills training

IQ Sys Limited, our software distribution business, has made further progress strengthening its position as the leading provider of access infrastructure software solutions in the UK

£80.5 million
Group turnover

Financial Highlights

Turnover increased to £80,534,222 from £45,567,481 in the prior year and Operating Profit before goodwill amortisation and exceptional items increased to £2,709,070 after absorbing the costs of integrating QA plc into the Group. Group Profit after tax was £3,476,708

Strategy

It is our goal to be the learning services partner of choice for organisations throughout the UK. We work with all types and sizes of organisations, from SME's through to the largest enterprises and public sector bodies, in order to support them in fulfilling their learning and skills requirements

Following this year end, investment from Englefield Capital in June 2007 provided the Group with significant resources to continue to meet our customers' needs by investing in new curriculum and learning services

Through both organic development and the selective acquisition of services that complement and expand our existing capability, QA-IQ will help our customers to

- leverage technology to improve its effectiveness
- remove barriers to achieving optimal individual and team performance
- focus on their core business by making the management, procurement and delivery of learning programmes more effective and efficient

100,000

people trained with QA-IQ
this year

QA-IQ Operations

QA-IQ now has more than 550 full-time employees and operates from over 20 dedicated learning centres. Additionally, QA-IQ offers customer onsite learning programmes and QA-IQ instructors deliver training programmes in many overseas locations to support the international training needs of our customers

During the fiscal year QA-IQ trained more than 100,000 delegates and delivered more than 462,000 delegate training days. This training covered a broad range of needs including

- Technical
- Professional Best Practice
- Management & Personal Development
- Desktop Applications

Chairman's Introduction

(continued)

QA-IQ Operations (continued)

QA-IQ has more than 5,000 active customers and delivers outsourced managed training services for many large enterprise customers

Our approach is to create a partnership with our customers so that we truly understand their skills needs and create programmes that fulfil these requirements in the most cost effective manner

Working with over

5,000
customer organisations

IQ-Sys Operations

IQ-Sys has increased market share in its key remote access products during the period

The continuing developments in this, and related technology areas, position this business for further strong growth

IQ-Sys has continued to concentrate on giving the highest quality of service to its customers and to actively bring new opportunities to them

Board Changes

In July 2007, Mitchell Hyams took up the new position of Corporate Development Director and we welcomed Martin Trainer, previously Chief Operating Officer for the Life & Pensions division of Capita, to the role of Group Finance Director

Additionally, through our partnership with Englefield Capital, we gained the expertise and experience of Edmund Lazarus, Edmund Buckley and Jack Langdon who join QA-IQ Holdings Ltd, a new holding company that acquired QA-IQ Group Ltd, as non-Executive Directors

Our People

It is the energy, passion and talent of our people that ensure QA-IQ Group consistently delivers value to our customers

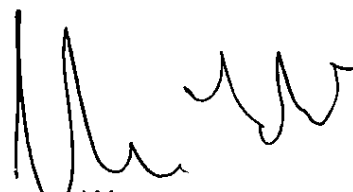
A proven management team, trainers and consultants of the highest calibre, together with outstanding commitment and determination to ensure the best outcomes for our customers from everyone at QA-IQ, drive the Group's progress

I would like to thank all of our people for the central part that they play in the continued success of QA-IQ Group

Outlook

We commence our 2007-2008 year with confidence and optimism

We continue our journey with a strong operational platform, a deeper understanding of our markets and the support of our talented people who make a difference for our exciting and diverse customer base



Christian J Martin
Chairman

Financial Highlights

Key Financial Highlights	£'000
Sales	80,534
Profit on ordinary activities before exceptional items, amortisation, interest & taxation	2,709
Deferred income	12,181

Annual Revenues (£000's)

£9,326	£14,215	£16,803	£18,050	£22,188	£35,509	£45,567	£80,534
1999	2000	2001	2002	2003	2005	2006	2007

QA-IQ

Transforming Performance

QA-IQ Our Business

Transforming performance

Our mission is to be the learning services provider of choice for employees, customers and partners.

Unrivalled Portfolio

During the last 12 months we introduced over 54 new courses spanning our Technical, Desktop, Professional Best Practice and Management & Personal Development subject areas. We continue to invest in our own-brand range of Performance courses that are written by our own technical experts and learning consultants. Demand for our Performance range grew significantly over this period, driving continued investment in the development of own-brand curriculum.

54 new courses launched during the year

Management & Personal Development – The Art of People

It is our vision to be recognised as much for our 'soft skills' capability as for our expertise in the technical training arena.

Today we deliver over 40 public courses in Management & Personal Development and tailor courses regularly to run as dedicated events in support of a client's specific requirement.

All of our courses are created by our own team who have real-world experience of management, consultancy and project management. In October of this year we launched 16 new courses, from 'Legendary Helpdesks' and 'Structured Business Communications' to 'Being a Leader' and a Management Development programme.

Demand for Management & Personal Development training and learning consulting grew substantially during the financial year as more and more of our clients came to know this high-quality, engaging and practical portfolio. Investment in converting part of our Holborn training centre into a Business Skills Academy provides a new, comfortable environment for our non-technical training.

Professional Best Practice

A major priority for organisations today is to improve the management of the IT function and the development of IT services that meet business needs, are monitored and add demonstrable value to the business.

This new maturity in the approach of organisations to engaging with IT has fuelled growth in demand for Service Management training and certification. At QA-IQ we have invested significantly in the development of our ITIL v3 curriculum and we continue to launch our expanding programme in tandem with the release of qualifications by the awarding body. To date, we have achieved a 90% pass rate for the new ITIL v3 Foundation qualification.

QA-IQ delegate pass rates for ITIL, PRINCE2™ and MSP™ examinations consistently exceed the national average

Our Project and Programme Management offering continues to grow at the levels seen over the last two to three years. New developments included the launch of certification for The Association of Project Management (APM) Practitioner and the development of a Project Management simulation workshop that has proved very successful in helping clients to build strong project management teams.

Jun 06

The acquisition of QA plc creates the UK's Number 1 IT Training Company.

Jul 06

Launch of an expanded portfolio of Management & Personal Development courses reinforces leadership in soft skills arena.

Aug 06

Recognised by Microsoft as 'Learning Solutions' Technology and Innovation UK partner of the year.

Sept 06

Awarded Novell Linux Centre of Excellence status for quality of Novell training delivery.

Oct 06

Company re-branded as QA IQ reflecting core values of quality, innovation and accessibility of learning experience.

Nov 06

QA IQ is first to market with industry-leading programme of Microsoft Windows Vista training.

QA-IQ Our Business

Transforming performance

Technical

Traditionally our core business area, we continue to expand, update and review our Technical programme

The growth of this area is driven by the regular introduction of new offerings that support the evolving needs of our customers and the addition of training to support new and emerging technologies. We continue to see solid growth across all of our partner technology areas, including Microsoft, Novell, Citrix, Cisco, Oracle

Particularly pleasing has been the strong uptake by our customers for our own-brand Performance courses. We continue to invest in the expansion and update of this unique curriculum with significant development now underway in .NET 3.5, SQL Server 2008, Java 5, Perl 6.0 and web development technologies

Desktop Applications

An increasing number of organisations recognise the importance of providing formal training to help their people across the business use the technology employed on a day-to-day basis as effectively as possible

For this fiscal year, five of our Top 10 courses by delegate numbers were Desktop courses

Demand for Microsoft Office 2003 training continued to grow and we saw signs of early interest in Office 2007 training

Strong Market Relationships

Our customers benefit from the strong technical and business relationships that we build through course review and 'train-the-trainer' delivery and consultancy with our industry partners

In June, we formed a new partnership with Intel and NIIT to be the chosen provider of Intel multi-core training in the UK

In July 2007, QA-IQ was awarded VMware Authorised Training Centre (VATC) status, by VMware the virtualisation specialists

Virtualisation is one of the hottest topics in IT today. Analysts The Butler Group predict that the strategic adoption of virtualisation technology could reduce infrastructure running costs by 40-60%. With our courses running at almost 100% capacity, we will expand our VMware curriculum over the coming months to help our customers across public and private sectors to realise the benefits of virtualisation

QA-IQ is a leading Microsoft Certified Partner for Learning Solutions in the UK and we continue to work closely with Microsoft to support the launch of new technologies to partners and customers and to develop new learning initiatives

For example, in the last 12 months QA-IQ Principal Technologists have delivered a series of Partner Readiness training sessions in Vista and Office 2007. A unique collaboration between QA-IQ's Microsoft infrastructure team and Microsoft's own Centre of Excellence for Deployment resulted in a series of Vista and Office Deployment seminars attended by over 200 senior IT professionals

9.3 out of 10

The average quality score delegates gave our 150 instructors

We have launched several new learning initiatives to support IT Professionals to gain Microsoft certification as quickly and effectively as possible

The award of new competencies: Information Worker Solutions, Advanced Infrastructure Solutions, and Security Solutions, demonstrates the breadth of expertise at QA-IQ and our ability to support our customers in new ways

Dec 06

QA-IQ Principal Technologist wins British Computer Society Trainer of the Year 2006

Jan 07

Launch of QA-IQ's innovative new 'live learning' Experience Packs

Feb 07

QA IQ shares informal learning expertise with senior executives at Learning & Development forum

Mar 07

Launch of Trainer Academy to recruit and develop instructor community

Apr 07

Launch of Global Reach programme to support customers international delivery requirements

May 07

Over 54 new courses across the curriculum released during the financial year

QA-IQ Our Business

Transforming performance

Learning Services

It is our goal to partner with our clients in the workplace, supporting their learning process within the context of their organisation. Truly effective learning delivers fundamental changes in skills, knowledge and attitude. It is the role of our Learning Services team to design, develop and support programmes that provide an injection of skills and influence the behaviours that act on performance.

How do we support learning in the workplace?

Graduate programmes

Ours is a modular approach, bringing together the appropriate mix of technical and business skills training, developed in the context of a client's own corporate culture and performance expectations.

Reflecting an upturn in the industry, QA-IQ delivered several graduate programmes during the year. For example, working with a **leading European investment bank**, we developed a programme for over 80 graduates.

Encompassing management, team building, personal effectiveness, programming, software testing and service management, the programme was delivered by QA-IQ instructors and consultants in four streams in both the UK and the USA.

Skills Assessment Services

We consult with customers to help them develop an infrastructure that facilitates the implementation of competency frameworks and evaluation.

Working with a select range of assessment tools, we help customers to assess competencies and map desired outcomes at individual, team and organisational levels.

During the year, our learning consultants worked with a **leading insurance company** to develop and implement a skills assessment programme based on both the Oxford Group and SFIA (Skills Framework for the Information Age) skills frameworks.

Having mapped skills to job roles across the IT team, the client is now able to align training procurement with target skills, making the training budget work much harder by focusing on clearly identified requirements.

Business Change Programmes

Most of our clients are living with change every day. Our consultants work with many organisations, creating learning programmes that support business transformation initiatives and help communicate change to stakeholders and all business audiences.

We help customers tackle the major barriers to effective change management: lack of stakeholder engagement, lack of skills amongst change agents, lack of awareness and buy-in across an organisation, and poor project management.

By engaging with QA-IQ at an early stage, our customers create an environment for success and achieve fundamental organisational change.

Unilever is a dynamic business that has been undergoing significant change within IT. The 'One Unilever' programme is transforming IT from local operating companies to global teams. QA-IQ has been working with Unilever to facilitate change in roles and responsibilities for several hundred IT professionals and managers.

A programme of modular, in-depth workshops builds core skills in facilitation, vendor management and communication. QA-IQ's expert consultants have helped the Unilever Change Team to develop new skills and change the IT culture within the organisation.

The change programme has equipped this IT community with the skills to effectively manage external partners and interface with internal business functions at Unilever, achieving a fundamentally different way of working.

QA-IQ Our Business

Transforming performance

BAT launches strategic IT leadership programme

BAT selected QA-IQ to support the design, development and delivery of its new Demand IT curriculum a business skills, leadership and personal development programme for the BAT global IT community, with the goal of taking technically competent IT managers and developing them to become commercially aware business leaders

BAT's IT function is currently being restructured to operate at a global level, with an emphasis on "above market" behaviour. Staff are currently focused on traditional IT support activities and so for those employees moving into Demand IT a considerable change in working practice, knowledge, skills and behaviour is required

The curriculum supports managers at all levels within the IT organisation, including a programme designed and developed for the highest level of IT leaders, and will be delivered at global, regional and local levels. QA-IQ is developing detailed programmes that can be delivered with a high degree of consistency across the globe

Management and Leadership programmes

Strong business management is an essential platform for business growth and success, yet management skills do not come naturally to most people. Through consultation and workshop-based training delivery, QA-IQ works with customers to develop the skills and behaviours that create effective managers

The national charity **Shaw Trust** recognised that to be successful in a competitive marketplace it needed to build specialist leaders with a strong commercial approach

The charity also believed that strong leadership would facilitate employee retention and career progression. QA-IQ worked with Shaw Trust to build a programme of both formal (master classes and project work) and informal learning (job-shadowing and action-learning)

The programme developed a core set of skills in strategic thinking, change management and leadership, project management, and business analysis. With a focus on building practical skills, the effectiveness of the programme has been recognised by participants, the strategic management team and the Trust's Managing Director

Project Management Services

As well as developing and delivering learning content in subjects as diverse as technology systems training, customer service skills and change management, QA-IQ also helps our customers to build, roll out and manage learning programmes

Our experienced Project Management Team works closely with clients to scope a training project and manage the delivery within an agreed budget and timescales

Central to the success of the delivery of a technical training programme to support the introduction of new software for the UK's **largest home building company** was strong project management provided by our dedicated team

The provision of experienced project managers and administrators to scope and plan training delivery, allocate resources and schedule events, helped the client to deliver a training programme that achieved learning objectives and target quality standards

QA-IQ Our Business

Transforming performance

Managed Training Services

The market for Managed Training Services (MTS) is maturing and so too is QA-IQ's service. Over the past 18 months, we have evolved our MTS approach from a reactive service desk to an holistic learning management service platform.

Our services enable clients to improve processes, maximise budgets and recognise the value of learning. Our clients use this knowledge to change their business practices. QA-IQ's role, and our core capability, is the effective management of learning.

This year we have invested in new technology that allows us to seamlessly integrate with our clients' own systems, providing greater visibility of training activity and spend, thereby giving our customers greater control over training budgets and planning.

Global Reach

Many of our large MTS clients have asked QA-IQ to support learning management on an international level.

Through our Global Reach Partner Programme we are helping clients such as Vodafone and Reuters to develop virtual teams and deliver consistent learning programmes on a global scale.

Global Reach represents an extension of our successful UK service delivery.

Leveraging our network of best-of-breed training companies around the world, we help our customers to provide high-quality, consistent training in strategic locations, such as end-user training in the US, Asia and Europe to support a worldwide technical roll-out.

All Global Reach partners, who include fellow members of leading technical and professional councils, undergo a rigorous selection process before qualifying as a QA-IQ Global Reach partner.

Through Global Reach, one of the world's **largest financial institutions** delivered a training programme in both the UK and Singapore.

The client benefited from a single point of contact in QA-IQ's MTS Team and had the confidence that the training met quality standards and was managed as part of their overall learning activity.

QA-IQ managed the entire process, including engagement with the local trainer and delivery of KPIs consistent with the client's standard reporting.

Proactive Engagement

The approach of QA-IQ's dedicated MTS Team is to build proactive relationships with clients.

This dynamic relationship means that our people come to understand a client's business and thereby better match training to these needs. Because of our experience, our expertise and our financial stability, our clients trust us to advise on learning strategy and methodology.

13

new MTS services
launched this year

We believe that it is our responsibility to help our customers continually improve their training procurement and Learning & Development function.

But it is not just large clients who benefit from our Managed Training Services. QA-IQ also helps small and medium-sized companies achieve new efficiencies and cost-savings in training by taking away the problem of managing and organising training delivery, whether it is our own training, or someone else's.

Our People

The continuing evolution of our business creates new opportunities for our people

To support the development of our people we are currently designing an internal learning programme. The programme leverages our own Management & Personal Development programme and provides tailored workshops for the development of technical and business skills right across our organisation.

The recruitment of talented people continues to be a focus for QA-IQ. In March 2007 we launched a Trainer Academy that aims to recruit and develop people with real-world experience.

To date, about 20 new instructors in Technical, Professional and Management & Personal Development areas have joined QA-IQ through our Trainer Academy.

The high-quality service that QA-IQ provides for the Royal Bank of Scotland (RBS) has been recognised by the bank's Approved Supplier programme.

The scheme drives performance improvement and innovation amongst the bank's suppliers as service providers are evaluated against stringent criteria to measure their value contribution and innovation.

Delivering quality service and best-value to the bank is key to success.

- QA-IQ has worked with RBS for over eight years and continually strives to improve the service we offer.
- Our Managed Training Service (MTS) is set up to ensure that we are consistently providing best-value and is meeting the needs of the bank and its people.

Innovation is an important part of developing learning solutions that add real value to the business, and we have a dedicated team who ensure that our MTS is continually evolving.

We continually build upon the strong service we offer RBS, and the Approved Supplier programme is an ideal opportunity to do this.

The Approved Supplier programme aims to enhance customer experience whilst also improving operational efficiency by working to strengthen supplier relationships and support the development of new delivery models. Including process management and corporate responsibility, the programme criteria allow suppliers to strengthen their own business while benefiting the relationship with the bank.

IQ-Sys Our Business

Intelligent Channel Solutions

IQ-Sys has enjoyed another year of significant growth and has succeeded in its vision to maintain and strengthen its position as the leading virtualisation and access infrastructure channel supplier in the UK.

Many IT resellers have been re-training and re-positioning their businesses to maximise their business performance in the evolving virtualisation space, and this has resulted in a re-evaluation of suppliers and selection of appropriate technologies to sell

IQ-Sys, with its education-led value proposition, unique product set and skills and experience in this sector has remained the partner of choice for these resellers

Industry accolades

Again, IQ-Sys achieved the ultimate accolades from Citrix, the leading vendor in this sector, with an unprecedented sweep of their awards ceremony. This saw IQ-Sys win "Best Distributor", "Fastest Growing Distributor" and "Best Business Development" in UK/Ireland/South Africa last year!

New products available

This coming year sees a focus on core products continuing, with the addition of some interesting new vendors

Citrix acquired both Ardenne and XenSource last year, and they form a significant part of the expanding Citrix product range

IQ-Sys is the only channel supplier authorised by Citrix to sell Ardenne in the UK

Additional vendors such as VirtualIron, Gemalto and Accario will make a positive contribution to what will be an exciting year for IQ-Sys

Great people

Our people are the best in this industry and continue to deliver excellent customer service

Board of Directors

Christian Martin, Chairman

Chairman of QA-IQ Group since 1999, Christian became Executive Chairman in April 2001. Between 1994 and 1997 he was Chief Executive of Azlan Group Plc, having been Finance Director from 1992. Christian was previously Finance Director of Erskine Ltd and Warner Fabrics Plc. He is also a non-executive director of Danwood Group Ltd, a large office solutions organisation. Christian is a Fellow of the Institute of Chartered Accountants in England and Wales having qualified with KMG (now KPMG).

Mitchell Hyams, Corporate Development Director

Appointed to the role of Corporate Development Director in July 2007, Mitchell joined QA-IQ as Finance Director in June 1999. Previously Finance Director at Benteleys Confectionery Ltd, he also spent 12 years (1986 to 1998) at Warner Fabrics Plc (latterly a subsidiary of Walker Greenbank Plc) holding a number of senior positions including Finance Director roles for several group companies.

Martin Trainer, Finance Director

Martin joined QA-IQ in July 2007 as Finance Director following nine years at Capita Group PLC where he held a variety of senior financial, commercial and operational roles, most recently Chief Operating Officer for the Life & Pensions division. A Chartered Accountant, Martin spent the first 11 years of his career at PriceWaterhouseCoopers LLP which included secondments to NatWest and Clydesdale Bank PLC. Martin holds an honours degree in Electrical and Electronic Engineering from Bath University and is a Fellow of the Royal Society.

John Kauffman, Managing Director, QA-IQ

John has over 19 years experience working in senior management positions within the IT training industry. During this period John was Senior Vice-President of TEN TV Inc (a US based specialist IT education company broadcasting over the internet), Sales Director for both Azlan Training Ltd and Smartforce Ltd. He joined QA-IQ as Commercial Director in 2000 and was appointed Managing Director of QA-IQ in 2001.

Sean Fane, Managing Director, IQ-Sys

Sean has over 19 years experience of working in the UK IT channel. After successful roles in product management within Europe's largest IT distributor, now Tech Data Corporation, Sean joined QA-IQ in 1997 as the General Manager of IQ-Sys, before assuming his current role as Managing Director.

Michael Brooke, Non-Executive Director

Michael graduated from Trinity College, Cambridge with an honours degree in Mechanical Sciences. He founded Datasolve International in 1968 and Micro Business Systems in 1976, which became a fully listed company in 1983. Since 1986 he has been involved in the funding and development of a number of IT companies, generally in the role of Chairman, a number of which have been floated. He is currently Chairman of Prelude Trust Plc (fully listed) and Maxima Holdings Plc (AIM listed) and a Director of a number of private companies.

Corporate Governance Statement

The group recognises the importance of, and is committed to, high standards of Corporate Governance

Organisational Structure

The group has an appropriate organisational structure for planning, executing, controlling and monitoring the business in a manner which seeks to achieve the group's objectives, taking into account the interests of all stakeholders

The Board

The Board comprises the Executive Chairman, three Executive Directors and one Non-Executive Director. The Board meets not less than ten times each period, and is primarily responsible for company strategy, approval of budgets and acquisition policy. The Board has established two committees as follows

Audit Committee

The Audit Committee is chaired by Michael Brooke (Non-Executive Director). The Committee assists the Board in ensuring that the group's financial systems provide accurate and 'up-to-date' information on its financial position and that the group's published financial statements represent a true and fair reflection of this position. It also assists the Board in ensuring that appropriate accounting policies, internal controls and compliance procedures are in place and monitors the management of risk. The Audit Committee meets not less than once a year and the auditors attend its meetings.

Remuneration Committee

The Remuneration Committee is chaired by Michael Brooke, (Non-Executive Director) and meets at least four times a year. The Remuneration Committee is responsible for developing policy on executive remuneration and for deciding on the remuneration packages of individual directors. It is responsible for advising on the remuneration packages needed to attract, retain and motivate senior management of the required quality.

Directors' Report

The directors present their annual report and the audited financial statements for the 52 weeks ended 1 June 2007

Change of name

InterQuad Group Limited changed its name to QA-IQ Group Limited on 5 October 2006

Business Review and Principal Activities

QA-IQ Group Limited owns two principal trading subsidiaries

- QA-IQ Limited, which provides learning services, with a particular focus on IT training, to a broad range of public and private sector clients across the UK and, increasingly, European market,
- IQ Sys Limited, which provides access infrastructure software solutions to the UK value-added reseller community,

Following the merger of the Interquad Learning Limited and QA plc businesses, QA-IQ Limited and IQ Sys Limited are both the leading players in their respective sectors and have demonstrated sustained growth over several years

Activity levels have remained strong, with turnover for the year of £80.5m (2006 £45.6m). Operating Profit (before goodwill amortisation and exceptional items) increased to £2.7m (2006 £2.4m). The exceptional costs of integrating QA plc into the Group were £1.3m, but leave the combined business well-placed for the future.

There have not been any significant changes in the Group's activities in the year under review. The directors are not aware, at the date of this report, of any likely changes in the group's activities in the forthcoming year.

Key Performance Indicators

The Company regards the following as Key Performance Indicators

Financial	- Revenues £80.534m - Gross profit £29.677m - Operating profit before amortisation and exceptional items £2.709m
Operational	- Core order intake £60.4m - Headcount (average over year) 542 - Course Fill Rate 72%

Due to the integration of QA Plc, prior year KPIs have not been presented as they do not provide a meaningful comparison.

Risk Management Objectives and Policies

The primary business risk facing the Group is the relevance of our proposition. We maintain strong relationships with key product providers, working closely to anticipate and prepare the market for future product releases.

Competitive pressure in the UK is a continuing risk for the Group. We manage this risk by continually seeking to expand the breadth and depth of our service offering, thereby adding value and strengthening our relationships with our customers.

The Group is exposed to limited price risk and historically market prices have shown a high level of stability.

Directors' Report

(continued)

The Group's activities expose it to movements in foreign currency exchange rates. The Group therefore uses financial instruments to hedge against these risks and where appropriate obtains forward currency purchase contracts.

The Group is in part financed by term bank loans, and uses financial instruments to hedge against movements in interest rates.

The Group's principal financial assets are bank balances and trade debtors. Bank balances are placed with the Group's bankers, Bank of Scotland plc. The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provision for doubtful debts. A provision is made where there is evidence of the possibility of not being able to recover the debt. The spread of the Group's customers is such that there is no significant concentration with a particular customer, and historically the Group has not experienced material bad debt issues.

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Group operates a centralised treasury function, features of which include inter-company cash transfers and management of finance lease contracts.

The Group does not use derivative financial instruments for speculative purposes.

Supplier Payment Terms

The company's policy, which is also applied by the group, is to establish the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment, and then abide by those terms of payment.

Trade creditors of the group at 1 June 2007 were equivalent to 56 days based on annual purchases (2006: 52 days).

Dividends

The company paid dividends of £423,537 (52 weeks ended 2 June 2006: £2,886,034) during the period.

Directors

The directors who served throughout the period were as follows:

C J Martin
M J Brooke
M S Hyams
J Kauffman
S P Fane

In addition M J Trainer was appointed as a director on 10 July 2007.

Post Balance Sheet Event

In June 2007 the Group was acquired by QA-IQ Investments Limited, which in turn is a wholly-owned subsidiary of QA-IQ Holdings Limited, as part of a transaction which saw Englefield Capital invest more than £30m in the business. This investment reflects confidence on the part of the Board and Englefield that the Group is well-placed to continue the rapid pace of development and success experienced in recent years.

Charitable Contributions

During the period the group made charitable donations totalling £3,120 (52 weeks ended 2 June 2006: £450).

Directors' Report

(continued)

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee Consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group.

Directors' Indemnities

The company made qualifying third party indemnity provisions for the benefit of its directors and officers during the period and these remain in force at the date of this report.

Auditors

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M J Trainer
Director

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year

Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these 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,
- state whether applicable accounting standards have been followed,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985

They are also responsible for the system of internal control, safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' Report

to the Members of QA-IQ Group Limited (formerly InterQuad Group Limited)

We have audited the financial statements of QA-IQ Group Limited (formerly InterQuad Group Limited) for the 52 weeks ended 1 June 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt, the notes to the consolidated cash flow statement and the related notes 1 to 28. 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 the implications for our report if we become aware of any apparent misstatements within it.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 1 June 2007 and of the group's profit for the 52 weeks then ended,
- the financial statements 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.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

30 October 2007

QA-IQ Group Limited Report and Accounts 2007

Consolidated Profit and Loss Account

52 weeks ended 1 June 2007

52 weeks ended 1 June 2007				52 weeks ended 2 June 2006			
		Before amortisation and exceptional items	Goodwill amortisation and exceptional items	Total	Before amortisation and exceptional items	Goodwill amortisation and exceptional items	Total
	Note	£	£	£	£	£	£
Turnover	2	80,534,222	-	80,534,222	45,567,481	-	45,567,481
Cost of sales		(50,857,474)	-	(50,857,474)	(25,592,784)	-	(25,592,784)
Gross Profit		29,676,748	-	29,676,748	19,974,697	-	19,974,697
Distribution costs		(17,001,498)	-	(17,001,498)	(13,568,807)	-	(13,568,807)
Administrative expenses	4	(9,966,180)	(2,476,927)	(12,443,107)	(4,039,620)	(616,473)	(4,656,093)
Operating Profit	5	2,709,070	(2,476,927)	232,143	2,366,270	(616,473)	1,749,797
Profit on sale of tangible fixed assets	6	-	-	-	960,865	-	960,865
Profit on ordinary activities before interest and taxation		2,709,070	(2,476,927)	232,143	3,327,135	(616,473)	2,710,662
Net finance charges	7	(1,485,245)	-	(1,485,245)	(657,443)	-	(657,443)
Profit (loss) on ordinary activities before taxation		1,223,825	(2,476,927)	(1,253,102)	2,669,692	(616,473)	2,053,219
Tax on profit (loss) on ordinary activities	8	2,252,883	-	2,252,883	(669,915)	-	(669,915)
Profit on ordinary activities after taxation		3,476,708	(2,476,927)	999,781	1,999,777	(616,473)	1,383,304
Minority interests	23	-	-	-	-	-	-
Profit for the financial period	22	3,476,708	(2,476,927)	999,781	1,999,777	(616,473)	1,383,304

All activities derive from continuing and acquired operations (see note 24)

Consolidated Statement of Total Recognised Gains and Losses

52 weeks ended 1 June 2007

		52 weeks ended 1 June 2007	52 weeks ended 2 June 2006
	Note	£	£
Profit for the Financial Period	22	999,781	1,383,304
Currency translation difference on foreign currency net investments	22	(47,835)	-
Total Recognised Gains and Losses Relating to the Period		<u>951,946</u>	<u>1,383,304</u>

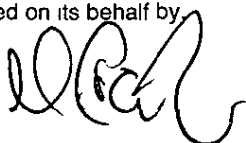
Balance Sheets

1 June 2007

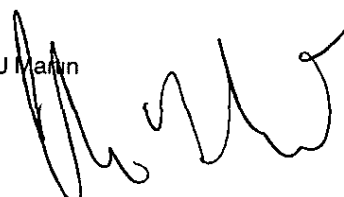
	Note	Group		Company	
		2007	2006	2007	2006
		£	£	£	£
Fixed Assets					
Intangible assets	11	21,951,442	11,550,122	-	-
Tangible assets	12	2,651,193	1,175,324	-	-
Investments	13	-	370,908	17,462,672	13,090,497
		<u>24,602,635</u>	<u>13,096,354</u>	<u>17,462,672</u>	<u>13,090,497</u>
Current Assets					
Stocks	14	1,721,941	1,622,638	-	-
Debtors	15	24,132,928	13,545,339	697,412	1,380,456
Cash at bank and in hand		117,065	1,682,489	-	46,223
		<u>25,971,934</u>	<u>16,850,466</u>	<u>697,412</u>	<u>1,426,679</u>
Creditors amounts falling due within one year	16	<u>(23,631,819)</u>	<u>(13,905,546)</u>	<u>(7,702,647)</u>	<u>(8,480,354)</u>
Net current assets (Liabilities)		<u>2,340,115</u>	<u>2,944,920</u>	<u>(7,005,235)</u>	<u>(7,053,675)</u>
Total assets less Current Liabilities		<u>26,942,750</u>	<u>16,041,274</u>	<u>10,457,437</u>	<u>6,036,822</u>
Creditors amounts falling due after more than one year	17	<u>(8,426,001)</u>	<u>(1,928,888)</u>	<u>(7,940,000)</u>	<u>(1,400,000)</u>
Provisions for Liabilities and Charges	19	<u>(2,489,004)</u>	-	-	-
Deferred income		<u>(12,180,873)</u>	<u>(10,793,923)</u>	-	-
		<u>3,846,872</u>	<u>3,318,463</u>	<u>2,517,437</u>	<u>4,636,822</u>
Capital and Reserves					
Called up share capital	21	157,219	157,219	157,219	157,219
Share premium account	22	3,455,349	3,455,349	3,455,349	3,455,349
Profit and loss account	22	234,304	(294,105)	(1,095,131)	1,024,254
Shareholders' funds	22	<u>3,846,872</u>	<u>3,318,463</u>	<u>2,517,437</u>	<u>4,636,822</u>

These financial statements were approved by the Board of Directors and authorised for issue
They were signed on its behalf by

Martin J Trainer
Director



Christian J Martin
Director



Consolidated Cash Flow Statement

52 weeks ended 1 June 2007

		52 weeks ended 1 June 2007	52 weeks ended 2 June 2006
	Note	£	£
Net cash (outflow) inflow from operating activities	1	(825,692)	3,744,475
Returns on investments and servicing of finance			
Interest received		23,727	20,883
Interest paid		(1,320,128)	(678,326)
Net cash (outflow) from returns on investments and servicing of finance		(1,296,401)	(657,443)
Taxation			
Corporation tax		(20,325)	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(340,328)	(3,642,477)
Receipts from sales of tangible fixed assets		-	3,680,865
Payments to acquire investments		-	(370,908)
Net cash (outflow) from capital expenditure and financial investment		(340,328)	(332,520)
Acquisitions			
Payments to acquire subsidiary undertakings		(5,256,353)	-
Purchase of businesses		(19,768)	(608,986)
Cash at bank acquired with subsidiary		4,358,247	-
Net cash (outflow) from acquisitions		(917,874)	(608,986)
Equity dividends paid		(423,537)	(2,886,034)
Net cash (outflow) before financing		(3,824,157)	(740,508)
Financing			
Amounts advanced from sales financing facilities		943,969	1,270,044
New bank loans		8,940,000	1,000,000
Repayment of bank loans		(1,047,294)	(2,000,000)
Repayment of loan notes		(5,949,300)	-
Shareholder loans repaid		(218,902)	(297,500)
Finance lease capital (repaid) obtained		(409,740)	344,666
Net cash inflow from financing		2,258,733	317,210
Decrease in cash	2	(1,565,424)	(423,298)

Reconciliation of Net Cash Flow to Movement in Net Debt

52 weeks ended 1 June 2007

		52 weeks ended 1 June 2007	52 weeks ended 2 June 2006
	Note	£	£
Reconciliation of net cash flow to movement in net debt	2		
Decrease in cash		(1,565,424)	(423,298)
Cash outflow from change in debt and lease financing		731,967	317,210
Change in net debt from cash flows		(833,457)	(106,088)
Bank loan acquired with subsidiary undertakings		(252,556)	-
New bank loans		(8,940,000)	-
New finance leases		(275,838)	(634,240)
Movement in net debt		(10,301,851)	(740,328)
Net debt at beginning of period		(4,234,109)	(3,493,781)
Net debt at end of period		(14,535,960)	(4,234,109)

Notes to the Consolidated Cash Flow Statement

52 weeks ended 1 June 2007

1 Reconciliation of operating profit to net cash (outflow) inflow from operating activities	52 weeks ended 1 June 2007 £	52 weeks ended 2 June 2006 £
Operating profit	232,143	1,749,797
Foreign exchange	(47,835)	-
Depreciation of tangible assets	929,653	624,122
Amortisation of intangible assets	1,198,124	616,472
Loss on disposal of fixed assets	-	486
Increase in stocks	(3,885)	(257,442)
Increase in debtors	(3,284,288)	(4,398,336)
(Decrease) increase in creditors	(676,084)	3,211,128
Increase in deferred income	1,386,950	2,198,248
Decrease in provisions	(560,470)	-
Net cash (outflow) inflow from operating activities	(825,692)	3,744,475

2 Analysis of Net Debt	At 3 June 2006 £	Cash flow £	Acquisition (exc Cash) £	Other non-cash movements £	At 1 June 2007 £
Cash at bank and in hand	1,682,489	(1,565,424)	-	-	117,065
Debts falling due within one year	(4,020,987)	322,227	(98,202)	(2,000,000)	(5,796,962)
Debts falling due after more than one year	(1,000,000)	-	(154,354)	(6,940,000)	(8,094,354)
Finance leases	(895,611)	409,740	-	(275,838)	(761,709)
Net debt	(4,234,109)	(833,457)	(252,556)	(9,215,838)	(14,535,960)

Notes to the Financial Statements

52 weeks ended 1 June 2007

1. Accounting Policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 1 June 2007. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. Assets and liabilities of overseas operations are translated at the closing rate and the results of these businesses are translated at average exchange rates for the inclusion in the group profit and loss account.

Revenue recognition

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of trade discounts and value added tax. Training revenue is recognised upon the delivery of training. Where training is contracted in advance of delivery, revenue is deferred and released to the profit and loss account as delivery occurs.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Short-term leasehold improvements	Over the term of the lease
Fixtures, fittings and equipment	2 to 5 years straight line
Freehold land and buildings	50 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Work in progress represents deferred costs in respect of contracted training which has not yet been delivered. These costs are amortised through the profit and loss account as training is delivered.

Notes to the Financial Statements

52 weeks ended 1 June 2007

1. Accounting Policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences which represent an obligation at the balance sheet date to pay more tax, or a right to pay less tax at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are discounted

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful economic lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account. Rentals payable under operating leases are charged to the profit and loss account evenly over the lease term

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Pension

The group contributes to the personal pension plans of employees and the pension charge represents the amounts payable by the company to those plans in the year

2 Segmental Analysis

All turnover is derived from sales made within the United Kingdom

Turnover by class of business has not been disclosed as, in the opinion of the directors, such disclosures would be seriously prejudicial to the group

Notes to the Financial Statements

52 weeks ended 1 June 2007

3 Information regarding Directors and Employees

	52 weeks ended 1 June 2007	52 weeks ended 2 June 2006
	£	£
Directors' remuneration		
Emoluments	729,016	178,247
Amounts paid to third parties in respect of directors' services	14,445	19,200
	<u>743,461</u>	<u>197,447</u>
Remuneration in respect of the highest paid director		
Fees	<u>248,310</u>	<u>56,698</u>
	No	No
Average number of persons employed		
Systems sales and administration	29	24
Learning services sales and administration	513	291
	<u>542</u>	<u>315</u>
	£	£
Staff costs during the period (including directors)		
Wages and salaries	22,219,876	11,859,138
Social security costs	2,519,960	1,309,041
Pension costs	294,794	-
	<u>25,034,630</u>	<u>13,168,179</u>

4 Goodwill Amortisation and Exceptional Items

	52 weeks ended 1 June 2007	52 weeks ended 2 June 2006
	£	£
Recognised in arriving at operating profit		
Redundancy and reorganisation costs resulting from rationalisation of trading activities following acquisition of QA Limited (formerly QA plc)	1,278,803	-
Amortisation of goodwill	1,198,124	616,473
	<u>2,476,927</u>	<u>616,473</u>

Notes to the Financial Statements

52 weeks ended 1 June 2007

5 Operating profit

	52 weeks ended 1 June 2007 £	52 weeks ended 2 June 2006 £
Operating profit is after charging		
Amortisation	1,198,124	616,473
Depreciation		
Owned assets	552,566	243,731
Leased assets	377,087	380,391
Rentals under operating leases		
Other operating leases	2,852,335	636,490
	<hr/>	<hr/>
Auditors' remuneration - audit fees		
The analysis of auditors' remuneration is as follows		
Fees payable to the company's auditors for the audit of the company's annual accounts	20,000	5,000
The audit of the company's subsidiaries pursuant to legislation	80,000	40,000
	<hr/>	<hr/>
Total audit fees	100,000	45,000
	<hr/>	<hr/>
Auditors' remuneration - non-audit fees		
Corporate finance services	605,000	-
	<hr/>	<hr/>

6 Profit on sale of tangible fixed assets

On 3 March 2006, the company purchased and sold a freehold property. The sale of the asset resulted in a profit of £960,865. This property was leased back on an operating lease basis.

Notes to the Financial Statements

52 weeks ended 1 June 2007

7 Net Finance Charges

	52 weeks ended 1 June 2007	52 weeks ended 2 June 2006
	£	£
Interest payable and similar charges		
Bank loans, overdrafts and other loans repayable within five years	(888,067)	(436,973)
Other bank charges payable	(314,014)	(174,040)
Unwinding of discount in provisions	(233,234)	-
Finance leases and hire purchase contracts	(73,657)	(67,313)
	(1,508,972)	(678,326)
Interest receivable and similar income		
Bank interest receivable	23,727	20,883
	(1,485,245)	(657,443)

8 Tax on profit (loss) on ordinary activities

a) Analysis of (credit) charge in period

	52 weeks ended 1 June 2007	52 weeks ended 2 June 2006
	£	£
Current tax		
United Kingdom corporation tax at 30% (52 weeks ended 2 June 2006 - 30%) based on (loss) profit for the period	-	302,453
Adjustments to prior periods' tax provisions	15,584	150,909
	15,584	453,362
Foreign tax	898	-
Total current tax	16,482	453,362
Deferred tax		
Origination and reversal of timing differences	(2,269,365)	549,630
Adjustment to the estimated recoverable amounts of deferred tax assets arising in previous periods	-	(185,376)
Adjustment in respect of prior period	-	(147,701)
	(2,252,883)	669,915

Notes to the Financial Statements

52 weeks ended 1 June 2007

8 Tax on (loss) profit on ordinary activities (continued)

The (loss) profit on ordinary activities at the standard UK corporation tax of 30% reconciles to the current tax charge as follows

	52 weeks ended 1 June 2007 £	52 weeks ended 2 June 2006 £
(Loss) profit on ordinary activities before taxation	(1,253,102)	2,053,219
Tax on (loss) profit on ordinary activities at standard rate	(375,931)	615,966
Factors affecting charge for the period		
Expenses not deductible for tax purposes	224,591	237,260
Depreciation in excess of capital allowances	348,114	8,535
Utilisation of losses	(207,422)	(547,908)
Short term timing differences	10,648	(11,400)
Foreign tax	898	-
Prior period adjustments	15,584	150,909
Total current tax	16,482	453,362

The group has an unprovided deferred tax asset in respect of non trading losses of £734,050 (2006 -£17,513)

b) Factors affecting future tax charges

In March 2007, the UK Government announced that it would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation has been substantively enacted in June 2007. If the charge is enacted then any future deferred tax balances would be stated at 28% of those amounts.

The effective tax rate for the 52 weeks ended 30 May 2008 is expected to reduce accordingly.

9 Parent company result for the financial period

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial period amounted to £1,695,848 (52 weeks ended 2 June 2006 - £1,032,900 profit).

Notes to the Financial Statements

52 weeks ended 1 June 2007

10 Dividends	52 weeks ended 1 June 2007	52 weeks ended 2 June 2006
	£	£

Group and company

Dividends paid	423,537	2,886,034
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11 Intangible fixed assets	£
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Group

Cost

At 3 June 2006	12,845,538
Additions - arising from acquisition of QA plc	11,579,676
Additions - other	19,768
At 1 June 2007	24,444,982

Accumulated depreciation

At 3 June 2006	1,295,416
Charge for the period	1,198,124
At 1 June 2007	2,493,540

Net book value

At 1 June 2007	21,951,442
At 2 June 2006	11,550,122

On 16 June 2006, the group acquired further shares in QA Limited (formerly QA plc) for total cash consideration of £3,446,346 and acquisition costs of £1,810,007. Along with the shares acquired in the prior period for a cash consideration of £370,908, at this date the company owned 88% of the issued share capital of QA Limited.

The fair values of the assets and liabilities acquired with the business are shown within note 24. The pre and post acquisition performance of the acquired business cannot be separately identified as the trade has been subsumed within the overall activities of the group, as the customers and products are similar.

Notes to the Financial Statements

52 weeks ended 1 June 2007

12 Tangible fixed assets	Freehold land and buildings	Short-term leasehold improvements	Fixtures, fittings and equipment	Total
Group	£	£	£	£
Cost				
At 3 June 2006	-	1,125,707	2,053,825	3,179,532
Additions arising from acquisition of subsidiaries	928,333	471,159	389,864	1,789,356
Additions - other	-	126,167	489,999	616,166
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 June 2007	928,333	1,723,033	2,933,688	5,585,054
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 3 June 2006	-	526,218	1,477,990	2,004,208
Charge for the period	-	338,433	591,220	929,653
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 June 2007	-	864,651	2,069,210	2,933,861
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 1 June 2007	928,333	858,382	864,478	2,651,193
	<hr/>	<hr/>	<hr/>	<hr/>
At 2 June 2006	-	599,489	575,835	1,175,324
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of fixed assets includes £551,191 (2006 - £836,612) in respect of assets held under finance leases and hire purchase contracts

The company has no tangible fixed assets at either 2 June 2006 or 1 June 2007

Notes to the Financial Statements

52 weeks ended 1 June 2007

13 Investments held as fixed assets

	Other investments £
Group	
Cost	
At 3 June 2006	370,908
Additions	5,256,353
Transfer to goodwill	(5,627,261)
At 1 June 2007	-
Amounts written off	
At 3 June 2006 and 1 June 2007	-
Net book value	
At 1 June 2007	-
At 2 June 2006	370,908

Company	Other investments £	Shares in subsidiaries £	Total £
Cost			
At 3 June 2006	370,908	12,719,589	13,090,497
Additions	8,872,175	-	8,872,175
Transfers	(9,243,083)	9,243,083	-
Disposals	-	(4,500,000)	(4,500,000)
At 1 June 2007	-	17,462,672	17,462,672
Amounts written off			
At 3 June 2006 and 1 June 2007	-	-	-
Net book value			
At 1 June 2007	-	17,462,672	17,462,672
At 2 June 2006	370,908	12,719,589	13,090,497

During the period the company and group acquired further shares in QA Limited (formerly QA plc) and its subsidiary undertakings for a cash consideration of £3,446,346 and acquisition costs of £1,810,007 (see note 24). Along with the shares acquired in the prior period for a cash consideration of £370,908, as at 1 June 2007, the company owned 88% of the issued share capital of the QA Limited (formerly QA plc) group.

In addition the company acquired 3,615,822 ordinary shares of £1 each in QA IT Services Limited (a subsidiary undertaking of QA Limited) for a cash consideration of £3,615,822.

Notes to the Financial Statements

52 weeks ended 1 June 2007

13 Investments held as fixed assets (continued)

Also during the period the company sold its investment in QA-IQ Limited (formerly InterQuad Learning Limited) to its subsidiary undertaking, Seckloe 208 Limited for book value of £3,250,000

In addition, a subsidiary undertaking, INTS Holdings Limited, was liquidated and the company's investment of £1,250,000 was written off to the company's profit and loss account

As at 1 June 2007, the parent company and the group have investments in the following principal subsidiary undertakings

Name of undertaking	Country of incorporation	Principal activity at period end	Class of holding	%
Seckloe 208 Limited	England and Wales	Holding company	Ordinary	100
QA-IQ Limited (formerly InterQuad Learning Limited)*	England and Wales	Provision of IT training	Ordinary	100
IQ Sys Limited (formerly InterQuad Systems Limited)*	England and Wales	Provision of IT products and services	Ordinary	100
InterQuad Resourcing Limited*	England and Wales	Non-trading	Ordinary	100
QA Limited (formerly QA plc)	England and Wales	Holding company	Ordinary	88
QA IT Services Limited*	England and Wales	Non-trading	Ordinary	89
Skillsgroup Holdings Limited*	England and Wales	Holding company	Ordinary	88
QA Holdings Limited*	England and Wales	Non-trading	Ordinary	88
QA Learning Solutions Limited*	England and Wales	Non-trading	Ordinary	88
QA Scotland Limited*	Scotland	Non-trading	Ordinary	88
Knowledge Centre Limited*	England and Wales	Non-trading	Ordinary	88
Direct Media Technology Limited*	England and Wales	Non-trading	Ordinary	88
QA Training Limited*	England and Wales	Non-trading	Ordinary	88
QA Services No2 Limited*	England and Wales	Non-trading	Ordinary	88
Sheenfalls NV*	Belgium	Property investment company	Ordinary	67
P&P Belgium NV*	Belgium	Non-trading	Ordinary	88

* Indirect subsidiary

Notes to the Financial Statements

52 weeks ended 1 June 2007

14 Stocks	2007	2006
Group	£	£
Work in progress	1,094,473	919,555
Training materials and goods for resale	627,468	703,083
	<u>1,721,941</u>	<u>1,622,638</u>

Work in progress balances represent deferred costs of delivering IT training
The company does not hold any stock

	Group		Company	
15 Debtors	2007	2006	2007	2006
	£	£	£	£
Trade debtors	17,901,219	10,894,938	-	-
Deferred tax asset (see note 20)	3,699,979	1,430,614	-	-
Amounts owed by group undertakings	-	-	229,571	1,112,556
Other debtors	-	-	459,821	-
Prepayments and accrued income	2,531,730	1,219,787	8,020	267,900
	<u>24,132,928</u>	<u>13,545,339</u>	<u>697,412</u>	<u>1,380,456</u>

Notes to the Financial Statements

52 weeks ended 1 June 2007

	Group		Company	
16 Creditors	2007	2006	2007	2006
Amounts falling due within one year	£	£	£	£
Sales financing	3,746,054	2,802,085	-	-
Bank overdraft	-	-	827,893	-
Bank loans	2,050,908	1,000,000	2,000,000	1,000,000
Bank fees	500,000	-	500,000	-
Obligations under finance leases and hire purchase contracts	430,062	366,723	-	-
Trade creditors	10,477,339	5,034,744	15,171	158,740
Amounts owed to group undertakings	-	-	3,745,159	6,346,774
Corporation tax payable	454,362	453,362	453,362	453,362
Income tax payable	15,038	15,668	509	1,140
Other taxation and social security	3,116,124	2,334,865	-	182,251
Deferred consideration	319,800	466,547	-	-
Other creditors	42,397	173,978	-	-
Accruals	2,479,735	1,038,672	160,553	119,185
Shareholder loans	-	218,902	-	218,902
	<u>23,631,819</u>	<u>13,905,546</u>	<u>7,702,647</u>	<u>8,480,354</u>

Bank loans, working capital and sales financing facilities are secured over the assets of the company and its subsidiary undertakings. There are also related cross company guarantees within the group.

Finance leases are secured against the assets to which they relate.

	Group		Company	
17 Creditors	2007	2006	2007	2006
Amounts falling due after more than one year	£	£	£	£
Bank fees	-	400,000	-	400,000
Bank loans	8,094,354	1,000,000	7,940,000	1,000,000
Obligations under finance leases and hire purchase contracts	331,647	528,888	-	-
	<u>8,426,001</u>	<u>1,928,888</u>	<u>7,940,000</u>	<u>1,400,000</u>

Notes to the Financial Statements

52 weeks ended 1 June 2007

	Group		Company	
18 Borrowings	2007	2006	2007	2006
Borrowings are repayable as follows	£	£	£	£
Sales financing				
On demand or within one year	3,746,054	2,802,085	-	-
Shareholder loans				
On demand or within one year	-	218,902	-	218,902
Bank loans				
On demand or within one year	2,050,908	1,000,000	2,000,000	1,000,000
Between one and two years	2,800,908	1,000,000	2,750,000	1,000,000
Between two and five years	5,293,446	-	5,190,000	-
	10,145,262	2,000,000	9,940,000	2,000,000
Obligations under finance leases and hire purchase contracts				
On demand or within one year	430,062	366,723	-	-
Between one and two years	272,797	321,825	-	-
Between two and five years	58,850	207,063	-	-
	761,709	895,611	-	-

Notes to the Financial Statements

52 weeks ended 1 June 2007

19 Provisions for Liabilities and Charges

	Onerous lease contracts £
Group	
At 3 June 2006	-
Arising on acquisition of subsidiary undertakings	2,816,240
Utilised in period	(560,470)
Adjustment arising from discounting	233,234
	<hr/>
At 1 June 2007	2,489,004
	<hr/>

The property provision represents management's estimate of the future excess costs associated with the properties not currently utilised by the continuing business. The cash flows are expected to occur between June 2007 and June 2016.

In accordance with FRS 12, the provision has been discounted at the group's weighted average cost of capital to take into account the time value of money.

The company has no provisions for liabilities and charges.

20 Deferred tax asset

Group

The deferred tax asset is made up as follows:

Cost	£	
Balance at 3 June 2006	1,430,614	
Credit to profit and loss account	2,269,365	
	<hr/>	
Balance at 1 June 2007	3,699,979	
	<hr/>	
	2007	2006
	£	£
Tax losses to be offset against suitable taxable profits	952,237	1,430,614
Depreciation in excess of capital allowances	2,747,742	-
	<hr/>	<hr/>
	3,699,979	1,430,614
	<hr/>	<hr/>

The company has no deferred tax asset at either 2 June 2006 or 1 June 2007.

Notes to the Financial Statements

52 weeks ended 1 June 2007

21 Called up share capital	2007	2006
	£	£
Authorised		
8,031,053 ordinary shares of 2p each	160,621	160,621
	<hr/>	<hr/>
Called up, allotted and fully paid		
7,860,964 ordinary shares of 2p each	157,219	157,219
	<hr/>	<hr/>

On 7 January 2005, the company granted 170,055 share options to employees. The shares were granted with an exercise price of 46p per share and vested immediately. The share options are exercisable with seven days' notice and expire on 6 January 2015.

Following the adoption of FRS 20 'Share based payments', no adjustment is required in these financial statements.

Notes to the Financial Statements

52 weeks ended 1 June 2007

22 Reconciliation of movements in shareholders' funds and statement of movement in reserves

	Called up share capital £	Share premium account £	Profit and loss account £	Total 2007 £	Total 2006 £
Group					
Profit for the financial period	-	-	999,781	999,781	1,383,304
Currency translation difference on foreign currency net investments	-	-	(47,835)	(47,835)	-
Dividends paid	-	-	(423,537)	(423,537)	(2,886,034)
Net addition to (reduction in) shareholders' funds	-	-	528,409	528,409	(1,502,730)
Opening shareholders' funds	157,219	3,455,349	(294,105)	3,318,463	4,821,193
Closing shareholders' funds	157,219	3,455,349	234,304	3,846,872	3,318,463
Company					
(Loss) profit for the financial period	-	-	(1,695,848)	(1,695,848)	1,032,900
Dividends paid	-	-	(423,537)	(423,537)	(2,886,034)
Net reduction in shareholders' funds	-	-	(2,119,385)	(2,119,385)	(1,853,134)
Opening shareholders' funds	157,219	3,455,349	1,024,254	4,636,822	6,489,956
Closing shareholders' funds	157,219	3,455,349	(1,095,131)	2,517,437	4,636,822

Notes to the Financial Statements

52 weeks ended 1 June 2007

23 Minority Interests

£

At 3 June 2006

-

Acquisition of subsidiary undertakings

714,290

Provision against minority interest asset charged to goodwill

(714,290)

Loss on ordinary activities after taxation

179,146

Provision against minority interest share of loss in the period

(179,146)

At 1 June 2007

-

24 Acquisition of Subsidiary Undertakings

On 16 June 2006, the group acquired further shares in QA Limited (formerly QA plc) for total cash consideration of £3,446,346 and acquisition costs of £1,810,007. Along with the shares acquired in the prior period for a cash consideration of £370,908, at this date the company owned 88% of the issued share capital of QA Limited (formerly QA plc).

The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair value to the group.

Notes to the Financial Statements

52 weeks ended 1 June 2007

24 Acquisition of Subsidiary Undertakings (continued)

	Book value £	Fair value adjustment £	Fair value £
Fixed Assets			
Tangible assets	1,789,356	-	1,789,356
Intangible assets	1,675,365	(1,675,365)	-
	3,464,721	(1,675,365)	1,789,356
Current Assets			
Stocks	95,418	-	95,418
Debtors	5,033,936	-	5,033,936
Cash	4,358,247	-	4,358,247
Total Assets	12,952,322	(1,675,365)	11,276,957
Liabilities			
Bank loans	(252,556)	-	(252,556)
Other loans	(5,975,257)	-	(5,975,257)
Trade creditors	(8,185,319)	-	(8,185,319)
Onerous lease provision	(2,816,240)	-	(2,816,240)
Total Liabilities	(17,229,372)	-	(17,229,372)
Net Liabilities	(4,277,050)	(1,675,365)	(5,952,415)
Less equity minority interests			714,290
Add provision against equity minority interests			(714,290)
Goodwill			11,579,676
			5,627,261
Satisfied by			
Cash consideration			3,817,254
Acquisition costs			1,810,007
			5,627,261

The fair value adjustment relates to the write off of the goodwill that was held in the consolidated balance sheet of QA Limited (formerly QA plc) at the date of acquisition

Notes to the Financial Statements

52 weeks ended 1 June 2007

24 Acquisition of Subsidiary Undertakings (continued)

Following the acquisition of QA Limited (formerly QA plc), the trade and assets of QA IT Services Limited was transferred to QA-IQ Limited (a subsidiary undertaking of QA-IQ Group Limited). Due to the similar nature of the businesses of QA-IQ Limited and QA IT Services Limited in terms of both products and customers, the directors are unable to determine the split of operations for the group between those of acquired and existing operations as required by FRS 3 for all profit and loss account headings including turnover and operating profit.

25. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Other	
	2007 £	2006 £	2007 £	2006 £
Group				
Leases which expire				
Within one year	166,900	87,619	10,754	87,619
Within two to five years	397,661	453,361	3,535	453,361
After five years	2,838,274	626,300	-	626,300
	<u>3,402,835</u>	<u>1,167,280</u>	<u>14,289</u>	<u>1,167,280</u>

The company has no operating lease commitments at either 2 June 2006 or 1 June 2007

26 Controlling Party

The directors between them owned 83.9% of the company at 1 June 2007. Therefore at 1 June 2007, the directors acting in concert were the controlling party.

Notes to the Financial Statements

52 weeks ended 1 June 2007

27 Related Party Transactions

During the period the group entered into the following transactions with related parties who are controlled by either one of the directors or a member of the directors' immediate family

Related party	Nature of transaction	Purchases from related parties		Amounts owed to related parties	
		52 weeks ended 1 June 2007	52 weeks ended 2 June 2006	2007	2006
		£	£	£	£
Sunidol Travel	Goods and Services	13,349	17,733	-	-
Positive Consulting Limited	Goods and Services	81,486	49,609	6,933	4,712
Creative Print	Goods and Services	33,889	-	1,772	-
Shareholder loan	Loan	-	-	-	218,902

All transactions were carried out at arm's length and on normal commercial terms

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

During the period the group purchased goods and services for £2,840 (52 weeks ended 2 June 2006 - £7,665) from The Danwood Group Limited, an entity in which a director of QA-IQ Group Limited is also a director. The balance due to The Danwood Group Limited at 1 June 2006 was £576 (2006 - £711). All transactions were carried out at arm's length and on normal commercial terms.

28 Post Balance Sheet Event

On 4 June 2007, QA-IQ Holdings Limited, through its subsidiary QA-IQ Investments Limited, acquired 100% of the issued share capital of the company and became the ultimate controlling party.

Officers and Professional Advisers

Directors	C J Martin FCA M S Hyams M J Trainer J Kauffman S P Fane M J Brooke
Secretary	M J Trainer
Company number	05091695
Registered office	Rath House 55-65 Uxbridge Road Slough Berkshire SL1 1SG
Bankers	Bank of Scotland Plc 249 Silbury Boulevard Milton Keynes MK9 1NA
Solicitors	emw Law LLP Seebeck House One Seebeck Place Knowlhill Milton Keynes MK5 8FR Charles Russell LLP 8-10 New Fetter Lane London EC4A 1RS
Auditors	Deloitte & Touche LLP Chartered Accountants Cambridge

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