

QA-IQ GROUP LIMITED

Report and Financial Statements

30 May 2008

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QA-IQ GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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QA-IQ GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I P Johnson
C J Martin
H D M Thomas
M J Trainer

REGISTERED OFFICE

Rath House
55-65 Uxbridge Road
Slough
Berkshire
SL1 1SG

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 LLP
Chartered Accountants and Registered Auditors
Cambridge

QA-IQ GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 May 2008.

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

PRINCIPAL ACTIVITY

The company acts as an intermediate holding company within the QA-IQ Holdings Limited group.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

On 5 June 2007, the company was acquired by QA-IQ Holdings Limited through its subsidiary QA-IQ Investments Limited.

During the period the company made a loss on ordinary activities after taxation of £990,511 (52 weeks ended 1 June 2007 - £1,695,848 loss).

The directors consider that the company will continue with its principal activity for the foreseeable future.

POST BALANCE SHEET EVENT

In January 2009 the company acquired a further 10% shareholding in QA Learning Services Limited (formerly QA Limited) for a consideration of £0.4m. This brought the company's shareholding in QA Learning Services Limited (formerly QA Limited) and its subsidiary undertakings to 99%.

DIVIDENDS

The directors do not recommend the payment of a dividend for the period (52 weeks ended 1 June 2007 - £nil).

DIRECTORS

The directors who served throughout the period were as follows:

M J Brooke (resigned 2 April 2008)
S P Fane (resigned 4 February 2009)
M S Hyams (resigned 1 November 2007)
I P Johnson (appointed 14 January 2009)
J Kauffman (resigned 9 June 2008)
C J Martin
M J Trainer (appointed 10 July 2007)
H D M Thomas (appointed 2 November 2007)

DIRECTORS' INDEMNITIES

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

QA-IQ GROUP LIMITED

DIRECTORS' REPORT

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 of the profit or loss of the company 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; and
- 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

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.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. Accordingly, Deloitte 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QA-IQ GROUP LIMITED

We have audited the financial statements of QA-IQ Group Limited for the 52 weeks ended 30 May 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QA-IQ GROUP LIMITED (continued)

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 company's affairs as at 30 May 2008 and of its loss 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 LLP

Deloitte LLP

Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

27 February 2009

QA-IQ GROUP LIMITED

PROFIT AND LOSS ACCOUNT 52 weeks ended 30 May 2008

	Note	52 weeks ended 30 May 2008 £	52 weeks ended 1 June 2007 £
Other operating income		-	2,257,652
Administrative expenses		-	(1,887,505)
OPERATING PROFIT		-	370,147
Amounts written off investments		-	(1,275,000)
Interest receivable and similar income	4	15,328	737
Interest payable and similar charges	5	(1,005,839)	(776,148)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(990,511)	(1,680,264)
Tax on loss on ordinary activities	6	-	(15,584)
LOSS FOR THE FINANCIAL PERIOD	13	(990,511)	(1,695,848)

All activities derive from continuing operations.

There are no recognised gains and losses other than the profit for the financial period and the preceding financial period. Accordingly, no statement of total recognised gains and losses is given.

QA-IQ GROUP LIMITED

BALANCE SHEET 30 May 2008

	Note	30 May 2008 £	1 June 2007 £
FIXED ASSETS			
Investments	7	17,489,857	17,462,672
CURRENT ASSETS			
Debtors	8	787,682	697,412
Cash at bank and in hand		387,055	-
		1,174,737	697,412
CREDITORS: amounts falling due within one year	9	(10,223,564)	(7,702,647)
NET CURRENT LIABILITIES		(9,048,827)	(7,005,235)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,441,030	10,457,437
CREDITORS: amounts falling due after more than one year	10	(6,849,081)	(7,940,000)
NET ASSETS		1,591,949	2,517,437
CAPITAL AND RESERVES			
Called up share capital	12	160,046	157,219
Share premium account	13	3,517,545	3,455,349
Profit and loss account	13	(2,085,642)	(1,095,131)
SHAREHOLDERS' FUNDS	14	1,591,949	2,517,437

These financial statements were approved by the Board of Directors and authorised for issue on 27 February 2009
They were signed on its behalf by


M J Trainer

Director

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 30 May 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the period and preceding period, are described below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going concern

The directors have prepared the financial statements on the going concern basis. In making this assessment the directors have considered the liabilities of the company and the date at which they fall due. The principal liability of the company is in relation to the bank loans for which the facility is repayable under a cross guarantee intra group arrangement with other entities within the QA-IQ Holdings group. The directors, who are also directors of QA-IQ Holdings Limited, consider that the group is able to meet the bank loan repayments as they fall due. Therefore the directors of the company consider that the going concern basis of preparation remains appropriate.

Investments

Investments in subsidiary are recorded at cost, less any provisions for impairment.

The directors have considered the value of its fixed asset investments and as all of its investments are held in non-trading companies, the investment has been written down to the value of the net assets of the relevant companies.

Cash flow statement

As permitted by Financial Reporting Standard No. 1 (Revised), "Cash Flow Statements", the company has not included a cash flow statement as part of its financial statements because the consolidated financial statements of the ultimate parent company, QA-IQ Holdings Limited (of which the company is a subsidiary) are publicly available.

Consolidation

As permitted by s228 of the Companies Act 1985, the company has not prepared consolidated accounts as it is a subsidiary of QA-IQ Holdings Limited, a company registered in England and Wales. The accounts therefore present information about the company as an individual undertaking and not about its group.

Taxation

Current 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 tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, 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 assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Other operating income

Other operating income relates to corporate costs recharged to subsidiary undertakings and is recognised when services are incurred. On 5 June 2007, the company was acquired by QA-IQ Holdings Limited, through its subsidiary QA-IQ Investments Limited. Corporate costs were subsequently incurred by QA-IQ Holdings Limited.

QA-IQ GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 30 May 2008

1. ACCOUNTING POLICIES (continued)

Finance costs

Finance costs which are directly attributable to interest bearing bank loans are capitalised as part of the cost of that financial liability. The finance costs are recognised in the profit and loss account over the term of such financial instruments at a constant rate.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

During the current period there were no employees and the directors did not receive any remuneration from QA-IQ Group Limited for their services to the company. In the prior period, the directors of the company were the only employees and their remuneration was as follows:

	52 weeks ended 30 May 2008 £	52 weeks ended 1 June 2007 £
Directors' remuneration		
Emoluments	-	729,016
Amounts paid to third parties in respect of directors' services	-	14,445
	<u>-</u>	<u>743,461</u>
Remuneration in respect of the highest paid director		
Emoluments	<u>-</u>	<u>248,310</u>

3. AUDITORS' REMUNERATION

The auditors' remuneration amounted to £2,000 (52 weeks ended 1 June 2007 - £20,000) and in the current and prior periods this was borne by a fellow group undertaking.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 30 May 2008 £	52 weeks ended 1 June 2007 £
Bank interest receivable	<u>15,328</u>	<u>737</u>

QA-IQ GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 30 May 2008

5. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 30 May 2008 £	52 weeks ended 1 June 2007 £
Bank interest payable	204,069	37,434
Interest on shareholder loans and loan notes	-	14,096
Interest payable to fellow group undertakings	-	13,000
Interest on long term loan	599,220	711,618
Other finance charges	202,550	-
	<u>1,005,839</u>	<u>776,148</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Analysis of charge in period

	52 weeks ended 30 May 2008 £	52 weeks ended 1 June 2007 £
Current tax charge		
United Kingdom corporation tax at 28% (52 weeks ended 1 June 2007 - 30%) based on loss for the period	-	-
Adjustments in respect of prior periods	-	15,584
	<u>-</u>	<u>15,584</u>
Tax on loss on ordinary activities	<u>-</u>	<u>15,584</u>

QA-IQ GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 30 May 2008

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

b) Reconciliation of the current tax charge

The profit on ordinary activities at the standard UK corporation tax rate of 28% (52 weeks ended 1 June 2007 - 30%) reconciles to the current tax charge as follows:

	52 weeks ended 30 May 2008 £	52 weeks ended 1 June 2007 £
(Loss) on ordinary activities before tax	(990,511)	(1,680,264)
Tax on profit on ordinary activities at standard rate	(277,343)	(504,079)
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	-	382,500
Tax losses carried forward	238,286	121,579
Group relief surrendered for nil consideration	39,057	-
Adjustments in respect of prior periods	-	15,584
Total current tax charge	-	15,584

c) Factors affecting future tax charges

At 30 May 2008, the company had tax losses carried forward of £1,256,286 (2007 - £405,264).

A deferred tax asset of £351,760 (2007 - £121,579) in respect of these losses has not been recognised as the directors do not consider that these losses will be utilised in the foreseeable future.

7. FIXED ASSET INVESTMENTS

	Shares in Subsidiary undertakings £
Cost and net book value	
At 2 June 2007	17,462,672
Additions	27,185
At 30 May 2008	17,489,857

During the period, the company acquired further shares in QA Learning Services Limited (formerly QA Limited) for a consideration of £27,185.

QA-IQ GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 30 May 2008

7. FIXED ASSET INVESTMENTS (continued)

As at 30 May 2008, the parent company has investments in the following 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 Limited (formerly QA-IQ Limited)*	England and Wales	Provision of IT training	Ordinary	100
IQ Sys Limited *	England and Wales	Provision of IT products and services	Ordinary	100
InterQuad Resourcing Limited*	England and Wales	Non-trading	Ordinary	100
QA Learning Services Limited (formerly QA Limited)	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 Consulting Services Limited (formerly 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 (No.2) Limited*	England and Wales	Non-trading	Ordinary	88
Sheenfalls NV*	Belgium	Property investment company	Ordinary	88

*Indirect Subsidiary

8. DEBTORS

	30 May 2008 £	1 June 2007 £
Amounts due from group undertakings	780,951	229,571
Other debtors	1,731	459,821
Prepayments and accrued income	5,000	8,020
	<u>787,682</u>	<u>697,412</u>

QA-IQ GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 30 May 2008

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 May 2008 £	1 June 2007 £
Bank overdraft	-	827,893
Bank loans (see note 11)	1,036,907	2,500,000
Trade creditors	-	15,171
Amounts owed to group undertakings	8,577,998	3,745,159
Corporation tax payable	453,362	453,362
Income tax payable	-	509
Accruals	155,297	160,553
	<u>10,223,564</u>	<u>7,702,647</u>

Bank loans and working capital facilities are secured over the assets of the company and other group undertakings. There are also related cross company guarantees within the QA-IQ Holdings Limited group.

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 May 2008 £	1 June 2007 £
Bank loans (see note 11)	<u>6,849,081</u>	<u>7,940,000</u>

11. BORROWINGS

Borrowings are repayable as follows:

	30 May 2008 £	1 June 2007 £
Bank loans (net of issue costs)		
Between one and two years	1,052,207	2,750,000
Between two and five years	3,817,921	5,190,000
After five years	1,978,953	-
	<u>6,849,081</u>	<u>7,940,000</u>
On demand or within one year	1,036,907	2,500,000
	<u>7,885,988</u>	<u>10,440,000</u>

The group's financial indebtedness with Bank of Ireland bears interest at 2.25% over LIBOR. This interest rate exposure is hedged by an interest rate swap in respect of £5m of indebtedness, which is fixed at a rate of 5.48% per annum until 30 October 2012. The bank loan is repayable on a quarterly basis with the final repayment on 30 November 2014. At 30 May 2008, the fair value of the interest rate swap was £58,621.

QA-IQ GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 30 May 2008

12. CALLED UP SHARE CAPITAL

	30 May 2008 £	1 June 2007 £
Authorised		
8,031,053 ordinary shares of 2p each	160,621	160,621
Called up, allotted and fully paid		
8,002,318 (2007 – 7860964) ordinary shares of 2p each	160,046	157,219

On 4 June 2007, the company issued 141,354 ordinary shares of 2p each for a consideration of £65,023.

13. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Profit and loss account £
Balance at 2 June 2007	3,455,349	(1,095,131)
Loss for the financial period	-	(990,511)
Issue of shares at a premium	62,196	-
Balance at 30 May 2008	3,517,545	(2,085,642)

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 30 May 2008 £	52 weeks ended 1 June 2007 £
(Loss) for the financial period	(990,511)	(1,695,848)
Issue of shares at a premium	65,023	-
Net (reduction in) addition to shareholders' funds	(925,488)	(1,695,848)
Opening shareholders' funds	2,517,437	4,213,285
Closing shareholders' funds	1,591,949	2,517,437

15. RELATED PARTY TRANSACTIONS

As over 90% of the issued share capital of the company is owned by a group whose consolidated financial statements are publicly available it is not required to disclose transactions with other group undertakings that would otherwise be required under Financial Reporting Standard No.8 'Related Party Disclosures'.

QA-IQ GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 30 May 2008

16. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The directors regard QA-IQ Holdings Limited as the ultimate holding company and QA-IQ Investments Limited as the immediate parent company. Both companies are registered in England and Wales.

The directors regard Engcap Lux QaiQ S.à.r.l. through its 51% voting rights of QA-IQ Holdings Limited as the ultimate controlling party.

The smallest and largest group in which the results of the company are consolidated for the period ended 30 May 2008 is that headed by QA-IQ Holdings Limited. Copies of the consolidated accounts of QA-IQ Holdings Limited which include the results of the company can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

17. POST BALANCE SHEET EVENT

In January 2009 the company acquired a further 10% shareholding in QA Learning Services Limited (formerly QA Limited) for a consideration of £0.4m. This brought the company's shareholding in QA Learning Services Limited (formerly QA Limited) and its subsidiary undertakings to 99%.